DRAFT ILLINOIS AUCTION RULES

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NERA
Economic Consulting

Auction Manager Exhibit 1.10

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I. INTRODUCTION

I. A. Overview

The Illinois Auction ("Auction") is a single procurement process by which the Commonwealth Edison Company ("ComEd"), as well as Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP (collectively "the Ameren Illinois Utilities" or "Ameren"), procure supply for their fixed-price customers. (ComEd and the Ameren Illinois Utilities procure supply for their customers on hourly pricing outside the Auction through an alternative process). The Illinois Auction procures supply for fixed-price customers of ComEd and the Ameren Illinois Utilities simultaneously in a single auction process. The Illinois Commerce Commission ("ICC" or "Commission") has approved a tariff filed by ComEd and has approved a tariff filed by each of the Ameren Illinois Utilities that provides for each utility to pass through to retail fixed-price customers the costs incurred to procure electric power, energy and other services from suppliers selected through the competitive procurement process called the Illinois Auction.

The Illinois Auction is designed to procure full requirements service for fixed-price customers from ComEd and the Ameren Illinois Utilities classified in one of four (4) load categories. ***Full requirements service*** includes energy, specified ancillary and transmission services, and other services necessary to serve the load of fixed-price customers from ComEd and the Ameren Illinois Utilities. Full requirements service is defined more precisely in each of the Supplier Forward Contracts for each load category. A ***load category*** is a classification of customers for each of ComEd and Ameren for the purposes of the Auction.

Suppliers at the Auction bid to provide full requirements service for at least one of the following four (4) load categories and for at least one supply period:

(1) **ComEd's "CPP-B": Competitive Procurement Process – Blended.** Residential, designated Lighting service and smaller commercial customers with demand 400 kW or less of load who have not elected a real-time pricing service, who have not elected to receive service from a Retail Electric Supplier ("***RES***"), or who are not certain types of self-generators, belong to the CPP-B load category. Also included in the CPP-B load

category are those smaller commercial customers with demand 400 kW or less of load who have elected to take service under Rider PPO-MVM. Suppliers at the Auction bid to provide energy, capacity, those ancillary and transmission services described in Appendix C of the CPP-B Supplier Forward Contract, volumetric risk management and other services necessary for ComEd to serve the load of these customers. ComEd provides Network Integrated Transmission Services ("NITS") and distribution services. Suppliers will be able to bid on two (2) different supply periods, namely supply periods of one year and three years. Each supply period begins on June 1, 2008 and ends on May 31 of 2009 and, 2011 respectively.

(2) **ComEd's "CPP-A": Competitive Procurement Process – Annual.** Larger commercial and industrial customers (greater than 400 kW) who are eligible to take electric service under a rate that has not been declared competitive, who have not elected a real-time pricing service, who have not elected to receive service from RES, and who are not certain types of self-generating customers, belong to the CPP-A load category. Also included in the CPP-A load category are those larger commercial and industrial customers with demand of greater than 400 kW of load, who are eligible and have elected to take service under Rider PPO-MVM. Suppliers at the Auction bid to provide energy, capacity, those ancillary and transmission services as described in Appendix C of the CPP-A Supplier Forward Contract, volumetric risk management and other services necessary for ComEd to serve the load of these customers. ComEd provides NITS and distribution services. The supply period is one year, which begins June 1, 2008 and ends on May 31 of 2009.

(3) **Ameren's "BGS-FP": Basic Generation Service – Fixed Pricing.** Residential and Small Business ("R&SB") customers under 1 MW of demand who have not elected to receive service from a RES belong to the BGS-FP load category. Suppliers at the Auction bid to provide energy, capacity, certain transmission, volumetric risk management and other services necessary for Ameren to serve the load of these customers at an all-in fixed price. Ameren provides NITS and distribution services. Suppliers will be able to bid on two (2) different supply periods, namely supply periods of one year and three years. Each supply period begins on June 1, 2008 and ends on May 31 2009 and 2011 respectively.

(4) **Ameren's "BGS-LFP": Basic Generation Service – Large Customer Fixed Pricing.** Large Commercial and Industrial ("LC&I") customers with demand of 1 MW or greater who have not chosen a real-time pricing service and who have not elected to receive service from a RES belong to the BGS-LFP category. Suppliers at the Auction bid to provide energy, capacity, certain transmission, volumetric risk management and other services necessary for Ameren to serve the load of these customers at an all-in fixed price. Ameren provides NITS and distribution services. The supply period is one year, which begins on June 1, 2008 and ends on May 31 of 2009.

ComEd and the Ameren Illinois Utilities procure supply for their larger customers on a one-year basis. ComEd and the Ameren Utilities are establishing a rolling procurement process for the load categories to which their smaller customers belong (CPP-B Load and BGS-FP Load). In this rolling procurement process, one-half of CPP-B Load and one-half of BGS-FP Load would be procured each year, half on a three-year basis and half on a one-year basis in steady-state. For the 2008 Auction, which is a year of transition, approximately 30% of the CPP-B Load is procured on a one-year basis and the remainder would be procured on a three-year basis.

ComEd and the Ameren Illinois Utilities procure through an alternative process, and not through the Auction, supply for the following two (2) load categories:

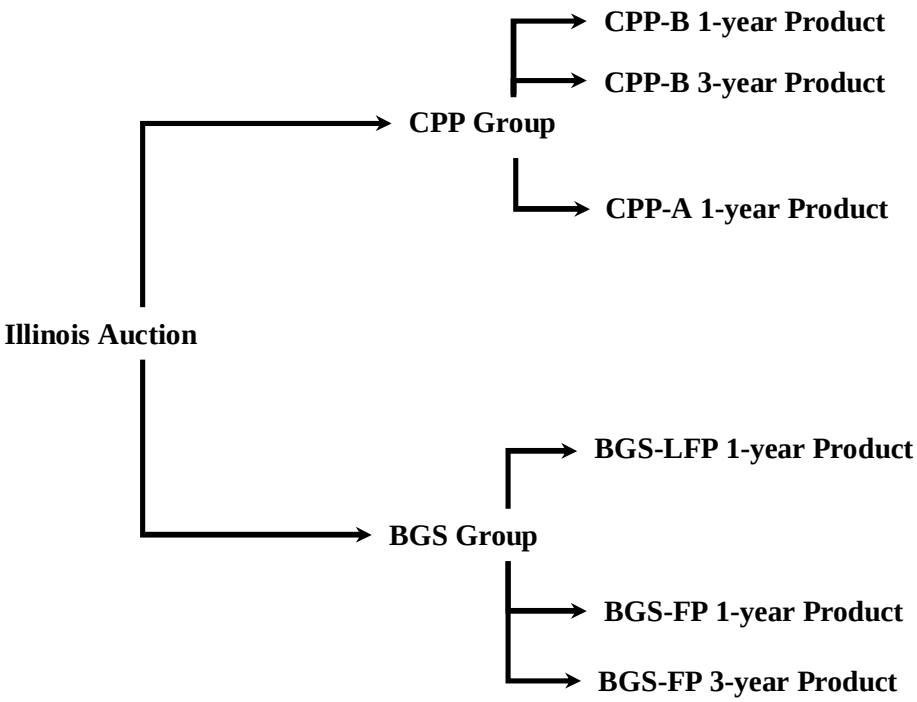
(5) **ComEd's "CPP-H": Competitive Procurement Process – Hourly.** Remaining customers who have not elected to receive service from a RES, namely larger customers whose electric service rate has been declared competitive, smaller customers who elect real-time pricing, and who are certain types of self-generators, belong to the CPP-H load category.

(6) **Ameren's "BGS-LRTP": Basic Generation Service – Large Service Real-Time Pricing.** LC&I customers with demand of 1 MW or greater who have voluntarily elected to take the real-time pricing service belong to the BGS-LRTP load category.

I. B. Illinois Auction Description

Each ***product*** in the Auction is characterized both by a load category and a given supply period. There are four products for smaller customers of ComEd and the Ameren Illinois Utilities (CPP-B 1-year, CPP-B 3-year, BGS-FP 1-year, and BGS-FP 3-year) and two products for larger customers (CPP-A 1-year and BGS-LFP 1-year). The Illinois Auction will procure supply for all products through a single Simultaneous, Multiple Round Descending Clock Auction. The products in the Auction are divided into two ***Groups***. The ***CPP Group*** consists of the ComEd products and the ***BGS Group*** consists of the Ameren products.

Figure 1. Groups and Products in the Illinois Auction.



The products in the Illinois Auction are fixed-price products to serve either ComEd customers (in the CPP Group) or customers of the Ameren Illinois Utilities (in the BGS Group). Qualification and registration for the Illinois Auction is done through a single process for both the CPP and BGS Groups. Suppliers will qualify and register subject to the

requirements as explained in section II.B. Suppliers registered for the Auction can bid on any one or a combination of products for both Groups.

Each load category in the Auction (i.e., CPP-B and CPP-A for ComEd, and BGS-FP and BGS-LFP for the Ameren Illinois Utilities) is divided into a number of tranches. Each ***tranche*** for a given load category represents a given specific percentage of that load category. The percentage of load for one tranche of one load category is in general different from the percentage of load for one tranche of another load category. The number of tranches for each load category is calculated so that each tranche is approximately 50 MW of peak demand. The number of tranches of each product and load category in the Auction will be announced prior to when applications are due for the Auction.

The Illinois Auction proceeds in ***rounds***. During the bidding phase of a round, each bidder submits a bid by indicating the number of tranches of each product that the bidder wishes to supply at the prices announced by the Auction Manager. After the bidding phase of a round, the Auction Manager reduces the price for a product if the number of tranches bid on that product by all bidders is greater than the number of tranches that are needed for that product. The Auction Manager then announces new prices for each product before bidding in the next round opens. In general, bidding continues and the prices tick down until, for each product, the total number of tranches subscribed falls to the point where it equals the number of tranches needed. When the Auction ends, the winners are those still holding tranches. All winners for a given product receive the same price for that product. The prices in the Auction are expressed in $/MWh rounded off to the nearest cent.

I. C. Payments and Rates

The summary of payments and rates in this section is qualified in its entirety by the Supplier Forward Contracts, as well as by the Rider CPP and Rider MV Tariffs. This brief description is provided for bidder convenience.

The payments to suppliers of a product are a seasonal function of the final Auction price for that product. The summer payments, made to suppliers for service provided from June 1 through September 30, are generally higher than the final Auction price. The non-summer payments, made to suppliers for service provided in the remaining months, are generally lower

than the final Auction price. The seasonal payment factors (a ***summer factor*** and a ***non-summer factor***) by which the Auction prices are multiplied to obtain the summer and non-summer payments vary depending on the load category. The factors for each load category will be announced to suppliers prior to the Auction and will be constant for the duration of the Supplier Forward Contract. The CPP-A and CPP-B Supplier Forward Contracts establish the terms of payments to CPP-A and CPP-B Suppliers. The BGS-FP and the BGS-LFP Supplier Forward Contracts establish the terms of payments to BGS-FP and BGS-LFP Suppliers.

Example 1. Supplier Payments[1].

At the time of the Auction, the tranche target for CPP-A 1-year is 88. The CPP-A summer factor is 1.1303 and its non-summer factor is 0.9276.

A bidder in the Illinois Auction wins 5 CPP-A 1-year tranches at a price of $60.00/MWh. The size of each tranche is 1.14 % of ComEd's CPP-A Load. Thus, the bidder will serve approximately 5.70 % of ComEd's CPP-A Load between June 1, 2008 and May 31, 2009. The bidder receives $67.82 ($60.00 x 1.1303) for each MWh of load served in the summer months and $55.66 ($60.00 x 0.9276) for each MWh of load served in the non-summer months.

For customers that are served with power from CPP-A Suppliers, the commodity portion of their rates will reflect the final Auction price for the CPP-A product in the immediately preceding Illinois Auction. For customers that are served with power from BGS-LFP suppliers, the BGS component of their rates will reflect the final Auction price for the BGS-LFP product in the immediately preceding Illinois Auction. In both cases, the final Auction price will be shaped seasonally and by time of day.

For customers that are served with power from CPP-B Suppliers, the commodity portion of their rates will be a function of the tranche-weighted average of the final Auction prices obtained for the various CPP-B contract terms adjusted for the seasonal payment factors. For example, in January 2010, the CPP-B Load will be served from CPP-B Supplier Forward Contracts for each of four (4) overlapping terms, namely: from January 1, 2007 to May 31,

[1] This and all other examples in these Auction Rules are for illustrative purposes only.

2010; from June 1, 2008 to May 31, 2011; from June 1, 2009 to May 31, 2012; and from June 1, 2009 to May 31, 2010. Similarly, for customers that are served with power from BGS-FP Suppliers, the BGS component of rates will be a function of the tranche-weighted average of the final Auction prices obtained for the various BGS-FP contract terms adjusted for the seasonal payment factors. For example, in January 2010, the BGS-FP Load will be served from BGS-FP Supplier Forward Contracts for each of four (4) overlapping terms, namely: from January 1, 2007 to May 31, 2010; from June 1, 2008 to May 31, 2011; from June 1, 2009 to May 31, 2012; and from June 1, 2009 to May 31, 2010. Conversion from the final Auction prices to the actual rates for each customer class will be determined based on an ICC-approved rate translation prism.

With the assistance of ICC Staff, the ICC will conduct a prompt, post-auction consideration of the Auction results. The ICC will determine, within five (5) business days of the close of the Auction, whether to initiate a formal investigation or other formal proceeding. If the ICC concludes, within five (5) business days of the close of the Auction, that no grounds are present for a formal investigation or other formal proceeding, ComEd and the Ameren Illinois Utilities will proceed with acquisition of supply from the successful bidders. This circumstance is referred to as a ***Successful Result.***

If the ICC initiates a formal investigation or other formal proceeding regarding the Auction results, ICC Staff, ComEd, the Ameren Illinois Utilities, and the Auction Manager will determine whether the descending clock Auction can be conducted again starting in round 1 in a manner than addresses the ICC's concerns. If it is determined that the descending clock Auction should not be conducted again, ***the results of the Auction are rejected***. The results of the Auction are null and void and certain contingency provisions under the Rider CPP tariff (for ComEd) and the Rider MV tariffs (for the Ameren Illinois Utilities) are triggered. If the descending clock Auction is conducted again with bidders previously registered for the Auction, the ICC will determine, within five (5) business days of the close of the Auction conducted a second time, whether to take action. If the ICC takes action, ***the results of the Auction are rejected.*** The results are null and void and certain contingency provisions under the Rider CPP tariff (for ComEd) and the Rider MV tariffs (for the Ameren Illinois Utilities)

are triggered. If the ICC does not take action, this circumstance is also referred to as a ***Successful Result***.

In the event of a Successful Result, the Auction Manager announces that there has been a Successful Result for the Auction by making a ***Declaration of a Successful Result***. At that time, the Auction Manager announces the final Auction prices for each product as well as the names of the winning bidders. The date at which the Auction Manager can first announce a Successful Result for the Auction is the ***Date of Declaration of a Successful Result***.

Within two (2) business days of the Date of Declaration of a Successful Result for the Auction, the rate components for fixed-price customers will be established as described above and filed with the ICC. Retail rates for the commodity portion of ComEd's customers and the BGS component of retail rates for customers for the Ameren Illinois Utilities will thus be communicated to customers well in advance of the supply period. ComEd and the Ameren Illinois Utilities will provide all necessary information to potential bidders concerning how Auction prices are translated into the relevant rates, including a tool that will display the retail rates that would be paid by fixed-price customers from prices that could result from the Auction.

ComEd will provide the network transmission and distribution services for its customers within its service territory under the terms of its distribution tariffs. Similarly, the Ameren Illinois Utilities will acquire the NITS and provide distribution services for its customers within its service territory under the terms of its retail tariffs.

I. D. Supply to Be Procured in the Auction

CPP Load is the retail load associated with customers who have not elected to receive service from a RES in ComEd's territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for ComEd's zone. Retail load excludes wholesale service (provided to specific municipalities and cooperatives) within the ComEd zone. ***CPP-H Load*** is the retail load associated with ComEd's larger customers whose electric service rate has been declared competitive and who have not elected to receive service from a RES, smaller customers who voluntarily elect real-time pricing, and who are of certain types of self-generating customers, times a loss factor to appropriately reflect system losses. The Auction

procures electric supply to serve CPP Load net of nominal generation supplied by certain QFs, and net of CPP-H Load.

BGS Load is the load associated with customers who have not elected to receive service from a RES in Ameren's territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for Ameren's zones. ***BGS-LRTP Load*** is the retail load associated with Ameren's customers with demand of 1 MW or greater (the LC&I customers) who have elected to take real-time pricing service times a loss expansion factor, to appropriately reflect system losses. The Auction procures electric supply to serve BGS Load, net of nominal generation supplied by certain QFs and net of BGS-LRTP Load.

The load of customers on a fixed price for which supply is procured through the Auction can be further described as follows:

(1) ***CPP-A Load***, which is defined to include the hourly load of all of ComEd's larger commercial and industrial customers (greater than 400 kW) who are eligible to take electric service under a rate that has not been declared competitive, who have not elected a real-time pricing service, who have not elected to receive service from a RES, and who are not certain types of self-generating customers, as well as all customers who have elected to take service under Rider PPO-MVM, times a loss factor to appropriately reflect system losses;

(2) ***CPP-B Load***, which is a residual obtained by subtracting CPP-A Load and CPP-H Load from CPP Load, includes the load of ComEd's residential, designated Lighting service and smaller commercial customers (400 kW or less) who have not elected a real-time pricing service, who have not elected to receive service from a RES, and who are not certain types of self-generating customers, and includes the load of smaller commercial customers with demand 400 kW or less of load who have elected to take service under Rider PPO-MVM, times a loss factor to appropriately reflect system losses;

(3) ***BGS-LFP Load***, which is defined to include the sum of the hourly load of all Ameren's customers with demand of 1 MW or greater (the LC&I customers) who have not elected to take real-time pricing service and who have not elected to receive service from a RES, times a loss expansion factor to appropriately reflect system losses;

(4) ***BGS-FP Load***, which is a residual obtained by subtracting BGS-LRTP Load and BGS-LFP Load from BGS Load adjusted for system losses, represents the load of all customers of less than 1 MW of demand (the R&SB customers) who have not elected to receive service from a RES.

As explained above, each load category for which supply is being procured in the Auction is further divided into units called tranches. Each tranche for a given load category represents a given specific percentage of that load category.

For each load category for ComEd, the number of tranches will be set so that each tranche is roughly 50 MW, where this 50 MW considers the peak load contributions of all customers for whom the service provided is the customer's primary option. A service that is a customer's primary option is the customer's ***primary service***. Customers for whom a given service is their primary service include customers who would default to this service absent any other election. These include customers who have elected to receive service from a RES but who, absent this election, would have defaulted to this primary service; customers who have elected service under Rider PPO-MVM but who, absent this election, would have defaulted to this primary service; and customers who have elected another service but who, absent this election, would have defaulted to this primary service. These include customers who take the primary service; however, these exclude customers who take the primary service but who, absent this election, would have defaulted to another service.

For each load category for Ameren, the number of tranches will be set so that each tranche is roughly 50 MW, where this 50 MW considers the peak demand for all customers that are ***eligible*** to take each service. Customers who are eligible to take a service include customers who actually take the service and customers who can elect to take the service.

Once the number of tranches for all products of a load category is established, the ***tranche size*** is obtained by dividing 100% by the number of tranches for all products of that load category.

Table 1. Load Categories and Customer Supply Groups.

Load Category	**Customer Supply Groups (Primary Service for ComEd) / Classifications (Eligible Service for the Ameren Illinois Utilities)**
CPP-B	Residential Watt-Hour Small Load Medium Load Dusk to Dawn Lighting General Lighting
BGS-FP	BGS-1 Residential Service BGS-2 Small General Service BGS-3 General Service BGS-5 Dusk-to-Dawn Lighting Service Rate RTP-1 Residential Real-Time Pricing Service Rate RTP-2 Small General Real-Time Pricing Service Rate RTP-3 General Real-Time Pricing Service Rate
CPP-A	Large Load Very Large Load
BGS-LFP	BGS-4 Large General Service
CPP-H (Not procured in the Illinois Auction)	Competitively Declared Self-Generating
BGS-LRTP (Not procured in the Illinois Auction)	RTP-4 Large General Real-Time Pricing Service Rate

More precisely, the number of tranches will be set so that the MW-measure of a tranche is approximately 50 MW. The ***MW-measure*** for a tranche in a load category is the Peak Load Share for the load category divided by the total number of tranches. The ***Peak Load Share for one of ComEd's load category*** is the peak load contributions of all customers for which the load category is their primary service.

Thus, the CPP-A Peak Load Share is the combined peak load contributions of all of ComEd's larger commercial and industrial customers (greater than 400 kW) that are not included in the CPP-H Load category of Table 1, regardless of whether such customer elects to receive service from a RES, elects to take service under Rider PPO-MVM, or elects to receive real-time pricing service.

The CPP-B Peak Load Share is the combined peak load contributions of all residential, designated Lighting service and smaller commercial (400 kW or less) customers, regardless of their service election, except for those customers designated as self-generating customers, as defined in Rider CPP.

The Peak Load Share for one of Ameren's load categories is the combined peak demands of all customers who are eligible for the service. Thus, the BGS-LFP Peak Load Share is the combined peak demands of all Ameren's LC&I customers if no such customer elects to receive service from a RES or elects to receive real-time pricing service. The BGS-FP Peak Load Share is the combined peak demands of all Ameren's R&SB customers if no such customer elects to receive service from a RES.

The number of tranches for each product in the Auction and the size of each tranche (i.e., the percentage of load that each tranche represents) will be announced prior to the date when interested parties must first apply for the Auction. Illustrative data are provided in Table 2 below in section II. B.

II. BEFORE THE AUCTION

II. A. Information Provided to Bidders

ComEd and the Ameren Illinois Utilities will make data relating to the supply to be procured available to potential bidders in advance of qualification. The data will be posted on the Auction web site.

ComEd will provide historical data for suppliers to be able to estimate hourly load and daily capacity and transmission peak load allocations for the following load categories: Total Zonal Retail Load, CPP Load, CPP-A Load and CPP-B Load. ComEd will provide data for a historical period that starts no later than May 1, 2004. The Ameren Illinois Utilities will

provide available data for suppliers to estimate the load for the following load categories: BGS Load, BGS-LFP Load and BGS-FP Load. Historical data of the nominal generation supplied by QFs will also be provided separately. The historical data include hourly load and associated zonal losses. The Ameren Illinois Utilities will provide data for a historical period that starts no later than June 1, 2003. The data include associated zonal losses. Historical zonal data will be extended each month as new data become available.

ComEd and the Ameren Illinois Utilities will also provide supplemental data to assist bidders. The supplemental data will include historical load profiles for some customer classes, historical customer counts by some customer classes or load profile groups, size distribution information, aggregate energy usage by size grouping, and customer switching data.

II. B. Qualification Process

There is a single application process for the Illinois Auction. A party interested in providing full requirements service to the utilities for those Illinois customers on a fixed-price service may apply to participate in the Illinois Auction, which consists of a Group of CPP products to serve ComEd customers and a Group of BGS products to serve customers from the Ameren Illinois Utilities.

No later than September 17, 2007, the Auction Manager will provide the number of tranches, as well as the size and MW-measure of a tranche for each product in the Auction. The number of tranches needed for a product in the Illinois Auction is called a ***tranche target***. The Auction Manager will also at that time announce a load cap for each of the two Groups in the Illinois Auction. A ***load cap*** for a Group is a maximum number of tranches that any one bidder can bid and win for that Group. Load caps limit the impact that any one bidder may have on the bidding and limit the utility's and the customers' exposure to default by any single supplier in a given supply period. Illustrative data are presented below.

Table 2. Illustrative Number of Tranches and Size of Tranches.

Load Category	Peak Load Share (MW)	Number of Tranches	Size of Tranche (%)	MW-measure of tranche
CPP-A	4,376	88	1.14	49.73
CPP-B	4,593	92	1.09	49.92

BGS-FP	1,755	35	2.86	50.15
BGS-LFP	1,853	37	2.70	50.08

Table 3. Illustrative Number of Tranches and Load Caps.

Product		Group		Auction
	Tranche Target	Sum of Product Tranche Targets	Load cap	Volume
CPP-A 1-year	88	180	63	252
CPP-B 1-year	23			
CPP-B 3-year	69			
BGS-LFP 1-year	37	72	25	
BGS-FP 1-year	9			
BGS-FP 3-year	26			

Neither ComEd nor the Ameren Illinois Utilities represent that each tranche will have the loads equal to the announced amount or any other particular value. The actual load of each tranche will depend upon many factors including, for example, customer migration to RESs and weather conditions. ComEd and the Ameren Illinois Utilities will provide historical information to assist bidders in performing their own analysis, but will not provide forecasts for variables such as load growth or switching rates. Bidders are responsible for evaluating the uncertainties associated with each load category and incorporating such risks into the determination of their bids.

No later than November 5, 2007, the Auction Manager announces a minimum starting price and a maximum starting price. The ***minimum and maximum starting prices*** establish the range of possible ***round 1 prices*** for the products in the Auction. The round 1 price for a product may be different from the round 1 price of another product. The Auction Manager, the Ameren Illinois Utilities and ComEd, in consultation with ICC Staff, will establish the minimum and maximum starting prices. The Auction Manager, in consultation with ICC Staff, the Ameren Illinois Utilities, and ComEd, will choose round 1 prices for each product and will inform bidders no later than three (3) business days before the Auction, namely January 10,

2008. The round 1 price for a product will be between the minimum and maximum starting prices.

The single application process for the Illinois Auction is in two parts. Interested parties may first submit a ***Part 1 Application***. Prospective bidders – namely, entities that submit a Part 1 Application to the Illinois Auction – will be required:

- To show that if they intend to bid on CPP products, they are, or have no impediments to become, PJM members in good standing by the start of the supply period;
- To show that if they intend to bid on BGS products, they are, or have no impediments to become, Market Participants in MISO by March 1, 2008;
- To certify that they have no impediments to meeting other requirements or authorizations required by the Supplier Forward Contracts;
- To certify that the submission of any bid creates a binding and irrevocable offer to provide service under the terms set forth in the applicable Supplier Forward Contract(s);
- To provide financial information for an assessment of their creditworthiness;
- To agree to comply with the Illinois Auction Rules;
- To accept the terms of the all Supplier Forward Contracts (the CPP-A Supplier Forward Contract, the CPP-B Supplier Forward Contract, the BGS-FP Supplier Forward Contract and the BGS-LFP Supplier Forward Contract);
- To agree that if they win tranches in the Auction, they will demonstrate compliance with the creditworthiness requirements set forth in the applicable Supplier Forward Contract(s) within three (3) business days of the Date of Declaration of a Successful Result;
- To certify that if they qualify to participate in the Auction, they will not disclose information regarding the list of Qualified Bidders;
- To certify that if they qualify to participate in the Auction, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as Qualified Bidders to another entity.

There are no requirements for bidders in the Illinois Auction to be or to apply to become RESs. Prospective bidders will be asked to submit financial information so that ComEd and the Ameren Illinois Utilities can jointly conduct an assessment of their creditworthiness. Such

creditworthiness requirements will take into consideration all load serving obligations held by the prospective bidder for each utility. Such obligations will include the prospective bidder's obligations from load won in past Auctions.

Applications must be submitted no later than noon[2] on the ***Part 1 Application Date***, which will be November 13, 2007. Prospective bidders will be notified whether they succeeded in qualifying to participate in the Auction no later than November 16, 2007, namely three (3) business days after the Part 1 Application Date. A prospective bidder that has qualified for the Auction becomes a ***qualified bidder***. The Auction Manager will send simultaneously to each qualified bidder a list of all qualified bidders. The Auction Manager will send simultaneously to other parties as necessary to oversee the proper conduct of the Auction a list of qualified bidders. These other parties include representatives from ComEd, representatives from the Ameren Illinois Utilities, ICC Staff and any advisor that ICC Staff may have retained for this purpose. These parties will have undertaken to maintain the confidentiality of the list of qualified bidders. Prospective bidders, in their Part 1 Applications, will also have undertaken to maintain the confidentiality of the list of qualified bidders.

With their Part 1 Applications, all prospective bidders will be required to pay a ***Bid Participation Fee*** that will contribute to covering the administration costs of the Auction. If a prospective bidder is successful in its Part 1 and Part 2 Applications, and goes on to win tranches in the Auction, this Bid Participation Fee will be deducted from the Supplier Fee (see Section VI) that is paid by all winners. If a supplier wins tranches only with ComEd or only with the Ameren Illinois Utilities, the Bid Participation Fee will be deducted from the Supplier Fee paid to that Company. If a supplier wins tranches with both ComEd and Ameren, half the Bid Participation Fee will be deducted from the Supplier Fee owed to ComEd and half the Bid Participation Fee will be deducted from the Supplier Fee owed to Ameren. The amount of the Bid Participation Fee will be announced before Part 1 Applications are made available to interested parties, no later than September 17, 2007.

Qualified bidders must successfully submit to a ***Part 2 Application*** process to bid in the Auction. Only qualified bidders may submit a Part 2 Application.

[2] Unless otherwise specified, times are those prevailing in the Central Time Zone on the respective date.

Part 2 Applications must be submitted no later than noon on the ***Part 2 Application Date***, which will be on December 11, 2007. In the Part 2 Application, qualified bidders will make a number of certifications regarding associations, to ensure that they are bidding independently of other entities in the Auction and to ensure the confidentiality of information regarding the Auction. A qualified bidder is ***associated with*** another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of the Auction and the ability of the auction process to deliver competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the Auction Manager relies on a number of factors, including the number of independent competitors, to appropriately set the volume for the Auction, using inaccurate information in such decisions due to insufficient disclosure of associations in the Part 2 Application can create adverse impacts. The ***volume*** for the Auction is the sum of the tranche targets for all products in the Auction. Associations may be considered in setting the volume and may be used in the application of load caps. See "Association and Confidential Information Rules" later in this document for more precise criteria.

Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, loss of all rights to provide supply for ComEd and the Ameren Illinois Utilities to serve any load won in the Auction by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future Auctions, and other sanctions that the ICC may consider appropriate. For any failure to disclose information or any violation of the certifications, the Auction Manager will make a recommendation on a possible sanction.

With their Part 2 Application, qualified bidders will be required to submit an indicative offer and to submit a ***financial guarantee*** in proportion to their indicative offer. The ***indicative offer*** specifies two numbers of tranches. The first number represents the amount that the qualified bidder is willing to serve at the maximum starting price and the second number represents the amount that the qualified bidder is willing to serve at the minimum starting price.

At each of the maximum and the minimum starting prices, the number of tranches indicated by the qualified bidder cannot exceed the sum of the load caps for the Groups of the Auction. A qualified bidder will also be required to provide its preliminary interest in each product. The number of tranches indicated as preliminary interest on any one product at a given price cannot exceed the qualified bidder's indicative offer at that price. However, the sum of the qualified bidder's preliminary interest across all products at a given price *can* exceed the number of tranches that the qualified bidder submitted as an indicative offer at that price.

Indicative offers are important in two respects. First, the Auction Manager may use the indicative offers to inform its decision in setting the round 1 prices. Second, the number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's ***initial eligibility*** for the Auction. A bidder will never be able to bid on a number of tranches greater than the bidder's initial eligibility. Thus, the qualified bidder is encouraged to state the maximum possible number of tranches that it would be ready, willing, and able to serve. Information that a qualified bidder provides regarding its interest in any particular product has no effect on initial eligibility or subsequent bidding in the Auction.

Example 2. Preliminary Interest.

Suppose the load caps are: 63 tranches for the CPP Group and 25 tranches for the BGS Group.

A qualified bidder submits an indicative offer of 70 tranches at the maximum starting price. The qualified bidder's initial eligibility for the Auction is 70 tranches, which is less than the sum of the load caps (63+25=88). The qualified bidder will never be able to bid on more than 70 tranches during the Auction.

At the maximum starting price, the qualified bidder may indicate a preliminary interest in as many as 70 tranches for CPP-A 1-year, 23 tranches for CPP-B 1-year, 69 tranches for CPP-B 3-year, 37 tranches for BGS-LFP 1-year, 9 tranches for BGS-FP 1-year, and 26 tranches for BGS-FP 3-year.

At the maximum starting price, the qualified bidder actually submits, as its preliminary interest in each product,

- 23 tranches for CPP-A 1-year,
- 18 tranches for CPP-B 1-year,
- 22 tranches for CPP-B 3-year,
- 4 tranches for BGS-LFP 1-year,
- 9 tranches for BGS-FP 1-year, and
- 12 tranches for BGS-FP 3-year.

This means that of the 70 tranches that the qualified bidder is willing to serve statewide, the qualified bidder is willing to serve at most 23 of them for CPP-A 1-year, 18 for CPP-B 1-year, 22 for CPP-B 3-year, 4 for BGS-LFP 1-year, 9 for BGS-FP 1-year, and 12 for BGS-FP 3-year.

The sum of the bidder's preliminary interest in each product at the maximum starting price, 88 (23 + 18 + 22 + 4 + 9 + 12), exceeds the amount of the indicative offer at the maximum starting price (70), which is acceptable.

Each qualified bidder must post a letter of credit proportional to its initial eligibility. The amount of the letter of credit will be $250,000 per tranche of a bidder's indicative offer at the maximum starting price. Letters of credit must be in a form considered to be acceptable to ComEd and the Ameren Illinois Utilities and must be sufficient to cover the indicative offer at the maximum starting price. Sample letters of credit that are in a form acceptable to ComEd and Ameren will be posted to the Auction Web site. Depending upon the creditworthiness assessment made at the time of the Part 1 Application, a qualified bidder may be required to provide a letter of intent to provide a guaranty and/or a letter of reference. Any such additional credit instrument must be submitted in a form acceptable to ComEd and the Ameren Illinois Utilities. Samples for the letter of intent to provide a guaranty and for the letter of reference will also be posted to the Auction Web site.

Example 3. Pre-Auction Security.

The maximum starting price for the Illinois Auction is $100/MWh, the load cap for the

BGS Group is 25 tranches, and the load cap for the CPP Group is 63 tranches. The maximum indicative offer that a bidder could submit is 88 (25 + 63) tranches. A qualified bidder submits an indicative offer of 50 tranches at the maximum starting price. The qualified bidder must submit a letter of credit of $250,000 per tranche of this indicative offer. Because the qualified bidder will be relying on the financial strength of a guarantor, the bidder was instructed at the time of qualification that it will be additionally required to submit a letter of intent to provide a guaranty from its guarantor in an amount of $1M per tranche of this indicative offer.

The qualified bidder thus posts a financial guarantee of $12.5M (50 x $250,000) in the form of a letter of credit and submits a letter of intent to provide a guaranty of $50M (50 x $1M). The letter of credit is in the standard form provided on the Web site and is thus acceptable to both ComEd and the Ameren Illinois Utilities. The number of tranches of the indicative offer does not exceed the sum of the load caps of the two Groups (88 tranches).

For a Part 2 Application to be accepted, it must be complete, including its indicative offer, financial guarantees and additional security (if necessary). The financial guarantees and additional security must be provided in a form considered to be acceptable to ComEd and Ameren at that time and must be sufficient to cover the indicative offer at the maximum starting price. After its Part 2 Application is accepted, a qualified bidder becomes a ***registered bidder***. The Auction Manager will send simultaneously to each registered bidder and to those other parties as necessary to oversee the proper conduct of the Auction, a list of registered bidders and the total initial eligibility in the Auction. Neither the list of registered bidders nor the total initial eligibility in the Auction will be released publicly. Qualified bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of registered bidders and the total initial eligibility.

Financial guarantees and additional security (if required) will remain in full force until the Date of Declaration of a Successful Result of until the results of the Auction are rejected. After the Declaration of a Successful Result, a bidder's financial guarantees will be marked cancelled and returned:

- As soon as practicable if the bidder has won no tranches;

- After the bidder has signed the applicable Supplier Forward Contract and has complied with all creditworthiness requirements of the applicable Supplier Forward Contract for the tranches that it has won.

ComEd and Ameren can collect the financial guarantees of bidders that win tranches at the Auction but that fail to sign the applicable Supplier Forward Contract(s) or fail to comply with the creditworthiness requirements within three (3) business days of the Date of Declaration of a Successful Result. If the results of the Auction are rejected, the bidder's financial guarantees will be marked cancelled and returned as soon as practicable.

A Successful Result occurs (and the Auction Manager will make a Declaration of a Successful Result) when either: a) the ICC does not initiate a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; or b) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction is conducted again with bidders previously registered for the Auction; and: the ICC does not take action within five (5) business days of the close of the Auction conducted a second time. The results of the Auction are rejected when a) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction should not be conducted again; or b) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction should be conducted again with bidders previously registered for the Auction; and: the ICC decides to take action within five (5) business days of the close of the Auction conducted a second time.

II. C. Round 1 Prices

Three (3) business days before the Auction starts, the Auction Manager informs all registered bidders of the round 1 prices. The round 1 price for a product will be no higher than the maximum starting price and no lower than the minimum starting price. The Auction

Manager will set the round 1 prices in consultation with the ICC Staff and in consultation with ComEd and the Ameren Illinois Utilities for their respective products.

II. D. Extraordinary Events

The Auction Manager, in consultation with ComEd, the Ameren Illinois Utilities and the ICC Staff, may determine that, due to extraordinary events, the maximum starting price and the minimum starting price require revision. In this event, the schedule may also be revised. If the indicative offers have already been received, the Auction Manager would request that the registered bidders (or the qualified bidders if registration had not been completed) revise their indicative offers on the basis of the revised maximum starting price and the revised minimum starting price.

For such a revision to be necessary, an extraordinary event must occur between the time at which the maximum starting price and the minimum starting price are announced (on November 5, 2007) and the day on which the Auction starts (January 15, 2008). An extraordinary event must be agreed to by ComEd, the Ameren Illinois Utilities, the Auction Manager and the ICC Staff. Such events could include, for instance, the advent of war, the disruption of a major supply source for potentially extended periods, or other similar events that could significantly impact the cost of supply.

If an extraordinary event occurs during that time, the Auction Manager will, in consultation with ComEd, the Ameren Illinois Utilities and the ICC Staff, determine a revised maximum starting price and a revised minimum starting price. New indicative offers will be required from bidders. The determination of new maximum and minimum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the Auction schedule, the Auction Manager will, in consultation with ComEd, Ameren and the ICC Staff, determine a revised schedule.

The Auction Manager, in consultation with ComEd, the Ameren Illinois Utilities and the ICC Staff, may determine that, due to extraordinary events, the non-summer and summer factors for one or more load categories require revision. In this event, the schedule may also be revised.

For a revision of the summer and non-summer factors to be necessary, an extraordinary event must occur before the Auction starts. If the indicative offers have already been received, the Auction Manager would provide the opportunity for new indicative offers to be submitted on the basis of this revision. The Auction Manager will provide bidders sufficient time to revise their indicative offers.

III. OVERVIEW

After presenting an overview of the Auction format, the following sections will explain the bidding and other procedures in detail.

III. A. Overview of Auctions

The Auction is conducted as a simultaneous, multiple round, descending clock auction. This format's features can be explained by simply "unpacking" this terminology.

The Auction is called **simultaneous** because tranches for all the products within the Auction are put on offer at the same time. The Auction proceeds in rounds. In a round, the Auction Manager announces a price for each product. Bidders bid by providing the number of tranches that they are willing to serve for each of these products at the prices announced by the Auction Manager. If the number of tranches bid is greater than the number of tranches needed for a product, the price for that product is reduced for the next round. In the next round, bidders are given an opportunity to bid again.

The Auction is called a **descending clock** auction because prices "tick down" throughout the Auction, starting high and being reduced gradually until the supply bid is just sufficient to meet the load to be procured. Prices that tick down in a round decrease by a ***decrement***; a decrement is a given percentage of the previous going price. The bidders holding the final bids when the Auction closes are the winners.

Example 4. Prices Tick Down When There Is Excess Supply.

Suppose there are 12 bidders. The tranche targets are listed in the table below.

	Price $/MWh	*Number of tranches bid*	*Tranche target*	*Excess supply*	*Oversupply ratio*
ROUND 1					
CPP-A 1-year	95.00	175	88	87	0.3955
CPP-B 1-year	85.00	85	23	62	0.2818
CPP-B 3-year	85.00	90	69	21	0.0955
BGS-LFP 1-year	88.00	67	37	30	0.1364
BGS-FP 1-year	82.00	21	9	12	0.1212
BGS-FP 3-year	82.00	26	26	0	0.0000

The Auction Manager reduces the price of a product if the number of tranches bid is greater than the number of tranches desired. The amount of the price reduction depends on the oversupply ratio, which is the ratio of the excess supply for that product to an estimate of the maximum possible excess supply for that product, taking into account the excess supply for the Auction. Roughly speaking, the larger the oversupply ratio for a product, the larger is the portion of maximum excess supply that is actually on that product, and the larger is the price decrease. A formula for the oversupply ratio is provided in section VIII.

In round 1, all bidders combined stand ready to supply 175 tranches of CPP-A 1-year at a price of $95.00/MWh. The number of tranches bid (175) exceeds the number of tranches desired (88) by 87 tranches. The price for CPP-A 1-year will tick down.

The actual excess supply for CPP-A 1-year is 87 tranches. The maximum possible excess supply is the excess supply for all the products in the Auction, or 212 (87 + 62 + 21 + 30 + 12 + 0 = 212). If all the excess bids in the Auction had been bid on CPP-A 1-year, CPP-A 1-year would have 212 tranches of excess supply. The estimate of the maximum excess supply used to calculate the oversupply ratio is the upper bound of the range of excess supply for the Auction reported to bidders, which is 220. Thus, the oversupply ratio for CPP-A 1-

year is 0.3955 (87 / 220). Roughly speaking, 40% of the excess supply for the Auction is bid on CPP-A 1-year.

The oversupply ratio is calculated in a similar manner for all other products.

The Auction Manager will lower the price in round 2 for every product except BGS-FP 3-year, since for every product except BGS-FP 3-year the number of tranches bid exceeds the number of tranches needed. The largest decrement will be for CPP-A 1-year, which has the largest oversupply ratio, and the smallest decrement will be for BGS-FP 1-year, which has the smallest oversupply ratio.

In round 2 below, prices have fallen from round 1 for all but BGS-FP 3-year. The price for CPP-A 1-year, which had the largest decrement from round 1, fell the most; the price for BGS-FP 1-year, which had the smallest decrement from round 1, fell the least. Bidders submit new bids at these prices. The excess supply range reported to bidders is 151-160 (so that 160 is used as the measure of excess supply for calculating the oversupply ratio).

	Price $/MWh	*Number of tranches bid*	*Tranche targets*	*Excess supply*	*Oversupply ratio*
ROUND 2					
CPP-A 1-year	90.25	160	88	72	0.4500
CPP-B 1-year	81.99	57	23	34	0.2125
CPP-B 3-year	83.60	83	69	14	0.0875
BGS-LFP 1-year	86.24	61	37	24	0.1500
BGS-FP 1-year	81.18	19	9	10	0.1010
BGS-FP 3-year	82.00	28	26	2	0.0125

Four aspects of the Auction should be briefly highlighted at the outset. These are as follows:

1. Winners for each product are not determined until the bidding has closed for all products in the Auction. When the number of tranches bid in a round for a product does not exceed the number of tranches desired, the price for that product will not tick down for the next round. However, as the Auction progresses and the prices for the other products in the Auction tick down, some bidders may re-assign tranches and increase the number of tranches bid on that product, which may cause the price for the product to tick down again in future rounds. Hence, the winners cannot be determined for any one product until bidding stops for all products in the Auction. It is only at the end of the Auction that suppliers reveal themselves to be winners by not withdrawing from the Auction.

2. Every bid is a binding obligation to provide the supply for a product at the price at which the bid was made. By placing its bid, the bidder is declaring that it stands ready, willing and able to supply the load represented by the tranches that it bid, at the going prices of each of the products. If a bidder placed a bid on a product in the preceding round and the price of the product's tranches did not tick down for the current round, the bidder cannot reduce the number of tranches bid for that product in the current round, either through a withdrawal or a switch.

3. Bidders can never, from one round to the next, increase the total number of tranches they bid on all products. Once a bidder bids a total number of tranches in the first round, the bidder will never be able to bid more than that total in subsequent rounds. Once a tranche is withdrawn, it can never be bid again.

4. All bidders that win tranches for a particular product and are authorized as suppliers receive the same price for that product.

The Auction is held simultaneously for both Groups. A bidder qualified and registered for the Auction can switch tranches from one Group to the other Group.

III. B. Round Phases and Bidding Day

Each round of the Auction is divided into three (3) phases: a bidding phase, a calculating phase, and a reporting phase.

In the ***bidding phase*** of the round, bidders place their bids for each product in the Auction. To be valid, a bid must be submitted and verified by the bidder during the bidding phase, and processed. The time-stamp of a bid is the time at which the bid is processed.

In the ***calculating phase*** of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round. During this phase, bidders cannot submit bids and bidders do not yet have access to the results from that round's bidding phase.

In the ***reporting phase*** of the round, the Auction Manager informs the bidders of the results of that round's bidding phase. All round results are confidential during the Auction. All bidders are informed of the prices for the next round's bidding phase and are provided with a range of excess supply left in the Auction. Each bidder also privately receives the results of its own bid from that round, indicating to each bidder its obligation at this point in the Auction. A bidder receives no information regarding any other bidder's bid. A bidder with no remaining obligation loses its access to round results as soon as practicable. A bidder loses its access to round results no earlier than the round after the bidder has been first informed that it has no remaining obligation, and in any event no later than eight rounds after its obligation becomes zero. The Auction Manager tells all bidders about the general progress of the Auction. In addition, the Auction Manager reports on the general progress of the Auction to a list of representatives from Ameren, a list of representatives from ComEd, and the ICC Staff. The ICC Staff also has access to information contained in all submitted bids. The bidders, ComEd, the Ameren Illinois Utilities, the Auction Manager, and the ICC Staff will hold any Auction results to which they have access to be confidential. Before being registered to participate in the Auction, the bidders will agree to keep all Auction results confidential, until such time as certain, limited information is permitted to be released publicly (as discussed later, in section V). The bidders will agree not to disclose any such confidential information about the Auction, except for any aspects of the Auction results that the Commission releases as part of its

decision of whether to approve the results, or that the Commission explicitly authorizes can be released.

A typical schedule for a bidding day will have a morning session, a lunch break, and then an afternoon session. Each ***session*** will consist of a number of rounds. The round times will speed up over the course of the Auction as bidders become more familiar with the process, and bidding becomes more routine.

IV. BIDDING RULES

The bidders participating in the Illinois Auction have been successful in the Part 1 Application process and the Part 2 Application process, as explained in section II. B of the present Auction Rules. Bidders participating in the Auction are registered for both ComEd's CPP Group and for Ameren's BGS Group. There are three (3) products in the CPP Group (CPP-B 1-year, CPP-B 3-year, and CPP-A 1-year) and there are three (3) products in the BGS Group (BGS-FP 1-year, BGS-FP 3-year, and BGS-LFP 1-year).

IV. A. Round 1

IV. A. 1. Definition of a Bid and Bidding Phase

The Auction Manager informs registered bidders of the round 1 prices for each product no later than January 10, 2008, three (3) business days prior to the first bidding day. These starting prices are the prices in force, or the going prices, in round 1. In general, the ***going prices*** in a round are the prices at which the Auction Manager solicits bids in that round.

A bidder selects how many tranches it wants to serve for each product at the round 1 prices. Specifically, a bidder will submit a ***bid*** that indicates:

- A number of tranches of CPP-A Load for a 1-year supply period.
- A number of tranches of CPP-B Load for a 1-year supply period;
- A number of tranches of CPP-B Load for a 3-year supply period;
- A number of tranches of BGS-LFP Load for a 1-year supply period.

- A number of tranches of BGS-FP Load for a 1-year supply period;
- A number of tranches of BGS-FP Load for a 3-year supply period; and

The number of tranches that a bidder chooses for one product may or may not be the same as the number of tranches that the bidder chooses for another product. A number of tranches is an integer (0, 1, 2,…). A number of 0 (zero) for one product means that at the round 1 price for the product the bidder does not want to supply any of that product. A registered bidder who, in round 1, bids 0 on all products effectively withdraws from bidding. The bidder will not be able to bid in round 2 or in any future round.

Example 5. A Round 1 Bid.

Bidder A specifies the number of tranches for each product in the Auction, as illustrated below.

	Price ($/MWh)	*Number of tranches bid*
ROUND 1		
CPP-A 1-year	95.00	20
CPP-B 1-year	85.00	10
CPP-B 3-year	85.00	1
BGS-LFP 1-year	88.00	7
BGS-FP 1-year	82.00	4
BGS-FP 3-year	82.00	1

Then (20, 10, 1, 7, 4, 1) is a round 1 bid and it indicates that the bidder stands ready to supply 20 tranches of CPP-A 1-year, 10 tranches of CPP-B 1-year, 1 tranche of CPP-B 3-year, 7 tranches of BGS-LFP 1-year, 4 tranches of BGS-FP 1-year, and 1 tranche of BGS-FP 3-year at the round 1 prices.

A bid submitted in round 1 must satisfy three conditions; the first condition relates to the total number of tranches bid, the second condition relates to the total number of tranches bid for a Group, while the third relates to the number of tranches bid for any one product.

The first condition is that the total number of tranches that a bidder bids for all products in the Auction cannot exceed the bidder's initial eligibility. In its Part 2 Application, a bidder registering for the Auction provides an indicative offer at the maximum starting price. The number of tranches in this indicative offer is the bidder's initial eligibility. The total number of tranches that a bidder bids for all products in the Auction cannot exceed the bidder's initial eligibility.

The second condition is that the total number of tranches that a bidder bids for all products in a Group cannot exceed the load cap for that Group. The total number of tranches bid on CPP-B 1-year, CPP-B 3-year, and CPP-A 1-year cannot exceed the load cap for the CPP Group. The total number of tranches bid on BGS-FP 1-year, BGS-FP 3-year, BGS-LFP 1-year cannot exceed the load cap for the BGS Group. (Please refer to Table 3 for illustrative load caps).

The third condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in the Illinois Auction.

Example 6. Constraints on the First Round Bid.

Suppose the load caps and tranche targets are those shown in Table 3. Also suppose Bidder A submitted an indicative offer of 60 tranches at the maximum starting price. Bidder A's initial eligibility is 60 tranches.

Bidder A's bid in round 1 is (20, 10, 1, 7, 4 1). This bid satisfies all requirements:

- In total, Bidder A is bidding on 43 tranches, which does not exceed Bidder A's initial eligibility of 60 tranches.
- For each product, Bidder A is bidding on a number of tranches that does not exceed that product's tranche target. For example, Bidder A is bidding 20 tranches for CPP-A 1-year, which does not exceed the tranche target of 88.
- For each Group, Bidder A is bidding on a number of tranches that does not exceed that Group's load cap. For example, Bidder A is bidding 31 (20 + 10 + 1) tranches in the CPP Group, which does not exceed the CPP Group's load cap of 63 tranches.

IV. A. 2. Calculating Phase, Reporting Phase and Potential Volume Cutback

The calculating phase of round 1 immediately follows the bidding phase in the Auction. In the ordinary course of events, the Auction Manager reviews the results and sets the prices that will be in force in round 2 for all products in the Auction. Round 1 moves to the reporting phase and the Auction Manager reports to bidders the results of bidding in round 1 as well as the round 2 prices for all products in the Auction. The Auction Manager provides to bidders an indication of the ***excess supply for the Auction*** in round 1. The ***excess supply for a product*** is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero. The excess supply for the Auction is the sum, over all products, of the excess supplies of the individual products, plus free eligibility, which is defined below in section IV. D. A bidder is never provided any information regarding any other individual bidder's bids.

The Auction Manager may call a ***time-out*** during the calculating phase of round 1 if the Auction Manager needs to consider whether to cut back the volume to ensure the competitiveness of the Auction. As soon as practicable during such a time-out, the Auction Manager will either announce that the volumes will remain the same, or the Auction Manager will announce that revisions are needed to ensure the competitiveness of the Auction. If a volume cutback occurs, the Auction Manager will also announce a revised tranche target for each product and will announce the load cap of each Group. The manner in which the tranche targets will be changed on the basis of the revised Auction volume will be announced no later than December 20, 2007. It is not expected that the Auction Manager would revise the load caps for the two Groups except if the sum of the tranche targets for the products in that Group falls below the load cap that had been set for the Group. However, the Auction Manager retains the discretion to make revisions to the load cap for a Group based on the revised volume for the Auction.

As soon as practicable during a time-out in round 1, the Auction Manager will start the reporting phase of round 1. The Auction Manager will report to the bidders the prices in force for round 2, and an indication of the excess supply for the Auction in round 1. If the load cap for a Group is reduced because it exceeds the total of the tranche targets for the products in the Group, the Auction Manager reports to a bidder whose number of tranches bid for the Group

exceeds the reduced load cap that the bidder's bid has been adjusted to conform to the reduced load cap. The bidder receives free eligibility in the amount of the reduction. The bidder withdraws any eligibility that exceeds the sum of revised load caps for the CPP and BGS Groups in round 2.

If the volume is cut back for one or more CPP product, ComEd will implement a Contingency Plan for the tranches that have been removed. Under this ***Contingency Plan***, ComEd will purchase necessary services to serve CPP-A Load and/or CPP-B Load for 12 months including installed capacity, energy, transmission, and ancillary services through PJM-administered markets. Pursuant to this Contingency Plan, which is described in more detail in ComEd's CPP tariff, ComEd will not negotiate contracts with suppliers after the Auction. Similarly, if volume is cut back for one or more BGS product, the Ameren Illinois Utilities will implement a Contingency Plan for the tranches that have been removed from the Auction under which Ameren will purchase necessary services to serve BGS-FP Load and/or BGS-LFP Load for one year, including capacity and energy, through MISO-administered markets. Pursuant to this ***Contingency Plan***, which is described in more detail in Ameren's MV tariffs, Ameren will not negotiate contracts with suppliers for BGS-FP Load or BGS-LFP Load after the Auction. These Contingency Plans are intended to provide full incentives to prospective bidders for participating in the Illinois Auction by making this Auction the only possibility for prospective bidders to provide power under contracted terms to either ComEd or Ameren to serve their customers.

The Auction Manager will use a confidential set of guidelines to decide whether to cut back the volume and to determine the magnitude of any necessary cutback. If the volume is cut back, it will be cut back to the number of tranches bid in round 1 divided by a parameter called the ***target eligibility ratio*** (a desired ratio of tranches bid to the volume). The precise value of this parameter depends on various factors, such as the number of bidders and characteristics of individual bids.

Example 7. Volume cutback.

In the bidding phase of round 1, the volume in the Auction is 252 tranches (this is the sum of the tranche targets for all products in the Auction: 88 + 23 + 69 + 37 + 9 + 26 = 252).

Suppose that a total of 324 tranches are bid. Further, suppose that given the number of bidders and the characteristics of the bids, the Auction Manager sets the target eligibility ratio at 1.5.

The actual eligibility ratio is approximately 1.29 (324 / 252). The Auction Manager reduces the Auction volume to attain the target eligibility ratio of 1.5 by cutting back the volume by 36 tranches to 216 tranches (324 / 1.5 = 216).

After the volume revision, there will be 1.5 tranches bid for every tranche to be purchased through the Auction (216 * 1.5 = 324).

The Auction Manager may further revise the volume on the basis of the bids after round 1. If such a revision is necessary to ensure a competitive bidding environment, the Auction Manager will call a time-out during the calculating phase of a round. As soon as practicable during the time-out, the Auction Manager will advise the bidders of the revised volume. Further, if the volume is reduced, the Auction Manager announces a revised tranche target for each product in the Auction.

No later than December 20, 2007, the Auction Manager may release further information regarding the range of values of the target eligibility ratio and the circumstances under which a second volume cutback may be undertaken.

IV. B. Bidding in Round 2

IV. B. 1. Definition of a Bid and Bidding Phase

A bidder selects how many tranches to bid for each product at the round 2 prices.

A bid submitted in round 2 (and all subsequent rounds) must satisfy three conditions.

The first condition is that the total number of tranches that a bidder bids for all products cannot exceed the bidder's ***eligibility***. A bidder's eligibility in round 2 is the bidder's total number of tranches bid in round 1. This implies that, as stated in the introduction to the Auction format, a bidder cannot increase its total number of tranches bid at the round 2 prices from its total number of tranches bid in round 1. However, a bidder may increase its number of tranches

bid for one or more products if the bidder is simultaneously decreasing its number of tranches bid for other products, as explained below.

The second condition is that the total number of tranches that a bidder bids for all products in a Group cannot exceed the load cap for that Group.

The third condition is that the number of tranches that a bidder bids for a given product cannot exceed the tranche target for that product. The tranche target is the number of tranches needed for that product in the Illinois Auction.

Fully specifying a bid in round 2 (and in subsequent rounds) may require a bidder to provide ***exit prices*** (defined below). Exit prices can be required when a bidder is reducing its total number of tranches bid. Fully specifying a bid in round 2 may require a bidder to provide ***switching priorities*** (defined below). Switching priorities are required when a bidder is switching and increasing the total number of tranches bid on two or more products.

IV. B. 2. Bidding, Withdrawals and Switches

A bidder can always select in round 2 the same number of tranches for each product as in round 1. Alternatively, a bidder can request a withdrawal or a switch.

When a bidder reduces the total number of tranches bid, the bidder is requesting a ***withdrawal*** from at least one product.

A bidder can only request a withdrawal from a product when the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1 to round 2). If the price for a product has not ticked down, then the bidder's offer in round 1 at that price is binding and cannot be reduced. As explained below, a bidder can always bid more tranches for a product whose price has not changed from round 1 by reducing the number of tranches from one or more other products whose price(s) have ticked down and switching the tranches to the product whose price has not ticked down.

A bidder that withdraws tranches from a product must name an exit price. An exit price is a best and last offer on tranches that are being withdrawn. A bidder names an exit price when it is willing to bid a tranche at the previous going price but is unwilling to bid this tranche at the current going price. A bidder that withdraws several tranches previously bid at the round 1

price for a given product must specify the same exit price for all tranches from that product. An exit price must be less than or equal to the last going price at which the tranches were freely bid (in round 2, this is the price in round 1) and must be higher than the product's current going price (in round 2, this is the round 2 price, a price at which the bidder is no longer willing to bid the tranches being withdrawn). A bidder that withdraws tranches from more than one product can specify a different exit price for each product.

A bidder that withdraws tranches from a product loses some or all of its eligibility, and forfeits the right to bid these tranches on any product in any future round of the Auction. A bidder who requests a withdrawal may see its request refused, as explained further below.

An ***exit price*** enables the Auction Manager to determine which bidder would have remained ready to serve a product had the price ticked down continuously rather than in uneven, discrete decrements. The Auction Manager relies on exit prices when the number of tranches bid on a product at the round 2 going price falls short of that product's tranche target due to reductions from withdrawals, or due to reductions from withdrawals and switches. The Auction Manager will then refuse some or all requests for withdrawals, as needed to fill the tranche target of the product. The tranches with lower exit prices are retained first, and they are retained at the exit price that the bidder has named. The eligibility represented by the withdrawn tranches is lost even if the withdrawn tranches from the product are retained. Any withdrawn tranches that are retained in a round will be released (and the request to withdraw will be accepted at that later point) if new tranches for the product are bid at the going price and can serve to fill the tranche target for that product.

If two or more bidders are tied at an exit price, and if the Auction Manager must retain some but not all the tranches from these two or more tied bidders to fill the tranche target of a product, then the Auction Manager, for each tranche to be retained, will choose at random the bidder whose tranche is retained. For the first tranche needed at the tied exit price, the probability that a bidder is chosen is the number of tranches that the bidder has bid at the exit price divided by the total number of tranches bid at the exit price. If a second tranche is needed at the exit price, the Auction Manager again will choose the bidder whose tranche will be retained at random. The probability that any one bidder is chosen is the number of tranches that the bidder has bid at the exit price and that have not yet been retained divided by the total

number of tranches bid at the exit price and that have not yet been retained. The Auction Manager repeats this procedure until the tranche target for the product is filled.

Example 8. Withdrawals.

	CPP-A 1-yr	*CPP-B 1-yr*	*CPP-B 3-yr*	*BGS-LFP 1-yr*	*BGS-FP 1-yr*	*BGS-FP 3-yr*
ROUND 1						
Price ($/MWh)	75.00	75.00	75.00	75.00	75.00	75.00
Bid (tranches)	1	10	1	3	1	1
ROUND 2						
Price ($/MWh)	71.25	75.00	73.13	74.63	72.00	75.00

Bidder A cannot bid fewer tranches for CPP-B 1-year or BGS-FP 3-year in round 2 because the prices for these two products have not fallen from round 1.

Bidder A reduces the number of tranches bid for BGS-LFP 1-year from 3 to 2. The bidder enters an exit price of $74.75/mwh, which is between $74.63/MWh and $75.00/MWh. (The exit price could have been equal to $75.00 but not equal to $74.63/MWh.)

A bidder ***switches*** when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Example 9. Switching.

Suppose the load caps are: 63 tranches for the CPP Group, and 25 tranches for the BGS Group. The following are the round 1 and round 2 prices and the bids for Bidder A (Bidder A is not bidding on any other products):

	CPP-A 1-year	*CPP-B 1-year*	*BGS-LFP 1-year*	*BGS-FP 1-year*
Round 1				
Price ($/MWh)	75.00	75.00	75.00	75.00
Bid (tranches)	7	4	3	1
Round 2				
Price ($/MWh)	75.00	74.05	73.00	75.00
Bid (tranches)	9	4	1	1

In round 2, Bidder A is increasing by 2 the number of tranches bid on CPP-A 1-year. Also, Bidder A is reducing by 2 the number of tranches bid on BGS-LFP 1-year. Since the total number of tranches bid is the same (15), the bidder is switching. Bidder A can reduce the number of tranches bid on BGS-LFP 1-year since its price has decreased in round 2. Bidder A can bid for more tranches of CPP-A 1-year (the number of tranches bid for all CPP products combined in round 1 is less than the CPP Group load cap). If the price of a product does not change, a bidder cannot bid *fewer* tranches but can bid *more* tranches for that product.

As is the case when the bidder is reducing the number of tranches bid on a product because the bidder is withdrawing tranches, the bidder can reduce the number of tranches bid on a product through a switch only if the price for that product has ticked down from the previous round (in round 2, when the price has ticked down from round 1). If a bidder is reducing the number of tranches bid through a switch for a product whose price has ticked down, the bidder can increase the number of tranches bid on any other product, including a product whose price has not ticked down.

A bidder may determine that it wishes to both withdraw and switch tranches from products. If a bidder is both switching and withdrawing, a bidder can reduce tranches from a particular product only if the going price for that product has decreased from the previous round (in round 2, the price has ticked down from round 1).

If a bidder increases the number of tranches bid on more than one product, the bidder must assign a unique ***switching priority*** to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Example 10. Switching Priorities.

Bidder B submits the following bid in round 2 after this history in round 1:

Product	*CPP-A 1-year*	*CPP-B 1-year*	*BGS-LFP 1-year*	*BGS-FP 1-year*
ROUND 1				
Price ($/MWh)	75.00	75.00	75.00	75.00
Bid (tranches)	7	4	2	1
ROUND 2				
Price ($/MWh)	75.00	74.05	73.00	75.00
Bid (tranches)	8	2	3	1

In round 2, Bidder B is increasing the number of tranches bid on BGS-LFP 1-year and CPP-A 1-year while reducing the number of tranches bid on CPP-B 1-year. Since the total number of tranches bid is the same (14) in both rounds, the bidder is switching. Bidder B gives the switching priority to the increase on BGS-LFP 1-year.

If the Auction Manager will allow one of Bidder B's reductions but needs to deny the other, then the increase for BGS-LFP 1-year will be allowed and the increase for CPP-A 1-year will not be allowed. The denied switch will remain a CPP-B 1-year tranche

with a price of 75$/MWh, which is the last price at which the tranche was freely bid.

The Auction Manager will use the switching priorities provided by a bidder only when, to keep the tranche target for a product filled, the Auction Manager must retain all tranches that were withdrawn out of that product (if any) and must deny some, but not all, reductions from that product that come from a single bidder's switch. (Please see section IV. B. 3 for a description of how generally the Auction Manager fills the tranche target for a product.) Whenever possible, the Auction Manager will fill the needed number of tranches for that product by denying the lowest priority (1 is the highest priority) switch first, and then successively denying higher priority switches until the tranche target is met. The ***denied switches*** are retained at the price at which they were last freely bid (in round 2, this is the round 1 going price). Switching priorities may not be honored if honoring them could put the number of tranches held by the bidder above the load cap for a Group. This situation is expected to occur rarely and would happen in some, but not all, cases in which the bidder is at the load cap; the bidder switches across Groups; the bidder switches out of a product and the product becomes undersubscribed; the product with the higher priority is in the same Group as the denied switch; and some, but not all, switches are denied.

A bidder that is both switching and withdrawing can reduce the number of tranches bid for more than one product and increase the number of tranches bid for at least one product. In that case, the bidder will be asked to specify which tranches are being withdrawn and which tranches are being switched. The tranche or tranches that the bidder specifies to be withdrawn are the tranche(s) for which the bidder will name an exit price. The bidder may also be required to specify switching priorities if the bidder is increasing the number of tranches bid on more than one product.

Example 11. Switching and Withdrawing.

Bidder C submits the following bid in round 2 after this history in round 1 (note: bidder C is not bidding on any other products besides the ones shown in this example):

	CPP-A 1-year	*CPP-B 1-year*	*CPP-B 3-year*	*BGS-LFP 1-year*	*BGS-FP 3-year*
ROUND 1					
Price ($/MWh)	75.00	75.00	75.00	75.00	75.00
Bid (Tranches)	10	5	3	4	1
ROUND 2					
Price ($/MWh)	74.10	72.78	72.18	74.00	75.00
Bid (Tranches)	9	6	3	2	2

Bidder C bids a total of 23 tranches in round 1 and 22 tranches in round 2. Bidder C is withdrawing 1 tranche and will name an exit price for that tranche.

Since Bidder C reduces the number of tranches bid for both CPP-A 1-year and BGS-LFP 1-year, Bidder C's intentions are not clear unless the Auction Manager asks Bidder C for additional information. Indeed, it could be that Bidder C is withdrawing from CPP-A 1-year and switching the remaining tranches. Or it could be that Bidder C is withdrawing 1 tranche from BGS-LFP 1-year and switching the remaining tranches.

Bidder C is asked to select whether it is withdrawing a tranche from CPP-A 1-year or BGS-LFP 1-year. Bidder C selects that it is withdrawing a tranche from CPP-A 1-year, and is asked to name an exit price for this tranche. Since Bidder C is increasing the number of tranches bid for more than one product (CPP-B 1-year and BGS-FP 3-year), Bidder C is also asked for a switching priority. Bidder C assigns the first priority to BGS-FP 3-year.

IV. B. 3. Calculating and Reporting Phases in Round 2

The calculating phase starts immediately after the bidding phase. Once the Auction Manager has tabulated and reviewed the results, the reporting phase begins. The Auction

Manager informs all bidders of the round 3 price for each product in the Auction. The Auction Manager provides to all bidders a range for the excess supply for the Auction in round 2. The range of excess supply for the Auction reported to bidders will change as the Auction progresses. In earlier rounds, a narrower range will be reported when excess supply for the Auction is high. A wider range will be reported to bidders in later rounds as bidding is closer to ending and excess supply for the Auction is lower. The exact ranges of excess supply for the Auction that will be provided as the Auction progresses will be specified in detail in advance of the Auction. All bidders are provided with information regarding the going prices for all products in the Auction and the excess supply for the Auction.

In addition to what the Auction Manager tells all bidders about the general progress of the Auction, the Auction Manager reports privately to each bidder the bidder's eligibility for the next round (round 3). A bidder's eligibility for round 3 is the bidder's eligibility in round 2, minus the number of tranches that the bidder withdrew for all products in round 2.

The Auction Manager reports privately to each bidder on the bidder's own bid.

When a bidder bids in round 2 the same number of tranches on each product as in round 1, the Auction Manager reports the bid made in round 2.

A bidder may request withdrawals or switches. If all requests are accepted, the Auction Manager reports the bid made in round 2. However, the Auction Manager may disallow reductions that a bidder wants to make from a product. The Auction Manager retains withdrawn tranches if, by accepting all withdrawals and switches, the tranche target for that product would no longer be filled. Similarly, the Auction Manager denies switches if, after retaining all withdrawn tranches from that product, accepting all switches would prevent the tranche target for that product from being filled. In sum, to fill the tranche target of a product, the Auction Manager: 1) first takes tranches that are bid at the round 2 price for that product; 2) then retains tranches that bidders want to withdraw from that product; and 3) finally denies switches that bidders have requested from that product, as necessary.

If the bidder requested to withdraw tranches from a product and some or all of these tranches are retained, the Auction Manager informs the bidder of the number of withdrawn tranches that are being retained and the price at which these tranches are retained. The Auction

Manager will report that the request to withdraw is partially or completely granted when there have been a sufficient number of new tranches bid at the going price to outbid some or all of the withdrawals that had been retained to fill the tranche target. The price at which the withdrawn tranches are retained is the exit price. The Auction Manager will continue to report that some or all of these tranches are being retained in subsequent rounds as long as they are needed to fill the product's tranche target. While eligibility to bid these tranches is lost for the remainder of the Auction, these tranches still remain as binding offers by the bidder until the request to withdraw is granted (which may or may not occur). If these tranches are retained until the end of the Auction, the bidder wins the tranches.

If a bidder requested a switch, and if some or all of these are denied, the Auction Manager informs the bidder of the number of tranches for which the switch is denied. The tranches that the bidder intended to reduce from a product will be retained at the last price at which the tranches were freely bid. In round 2, this price is the round 1 price.

If there are several bidders who requested switches, and some, but not all switches must be denied, for each tranche of the target that must be filled by denying a reduction from a switch, the Auction Manager chooses at random the bidder whose switch is denied. For the first switch that must be denied, the probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could be denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by switches from all bidders and that could be denied. If a second switch must be denied, the Auction Manager again chooses at random the bidder whose switch will be denied. The probability that the Auction Manager chooses a tranche bid by a bidder requesting a switch is the number of tranches by which the bidder's bid on the product is reduced by the switch and that could have but have not yet been denied, divided by the total number of tranches by which the number of tranches bid on the product is reduced by all switches from bidders and that could have been but have not yet been denied. The Auction Manager repeats this procedure until the tranche target for the product is filled. The Auction Manager continues to report that some or all of these switches are being denied in subsequent rounds as long as they are still needed to fill the product's tranche target. If additional tranches are bid on this product in a later round by any bidder, resulting in an

excess number of tranches for that round, then the denied switches may then be freed up (see ***free eligibility*** below).

Example 12. Denied Switches.

Bidders A, B and C are the only bidders bidding for tranches of CPP-A 1-year, for which the tranche target is 88. (note: Bidders A, B and C are not bidding on any other products besides the ones shown in this example). Their bids in rounds 1 and 2 are given below:

	CPP-A 1-year	*CPP-B 1-year*	*BGS-FP 1-year*
Tranche Target	88	23	9
ROUND 1			
Price ($/MWh)	75.00	75.22	75.00
Bidder A Bid (tranches)	40	18	0
Bidder B Bid (tranches)	40	0	4
Bidder C Bid (tranches)	9	12	0
ROUND 2			
Price ($/MWh)	74.72	75.01	75.00
Bidder A Bid (tranches)	39	19	0
Bidder B Bid (tranches)	38	1	5
Bidder C Bid (tranches)	9	12	0

Bidder A switches, increasing the number of tranches bid on CPP-B 1-year to 19 and reducing the number of tranches bid on CPP-A 1-year. Bidder B is also switching. Bidder C's bid remains the same. In total, 3 fewer tranches are bid on CPP-A 1-year. The number of tranches bid on CPP-B 1-year and BGS-FP 1-year are both increased. Bidder B gives BGS-FP 1-year the switching priority.

No other bidders bid on tranches for CPP-A 1-year in round 2. In round 1, CPP-A 1-year's tranche target is more than filled with 89 tranches bid at the round 1 price. In round 2, the 86 tranches bid at the round 2 price are insufficient to fill the tranche target of 88.

Two of the three reductions from CPP-A 1-year must be denied. For the first tranche that must be filled by denying a switch, the probability that each bidder is chosen is 1/3 for Bidder A and 2/3 for Bidder B. Bidder B is chosen at random. The Auction Manager repeats the procedure for the second tranche that must be filled by denying a switch. The probability that each bidder is chosen is 1/2 for Bidder A and 1/2 for Bidder B. Bidder A is chosen at random. This means that the Auction Manager denies Bidder A its intended switch and that Bidder B is allowed to switch 1 of the 2 tranches requested. Adding the 2 denied switches to the 86 tranches bid at the round 2 price fills CPP-A 1-year's tranche target.

	CPP-A *1-year*	*CPP-B* *1-year*	*BGS-FP* *1-year*
Round 1 Price ($/MWh)	75.00	75.22	75.00
Round 2 Price ($/MWh)	74.72	75.01	75.00
Report to Bidder A	9 @ 74.72 1 denied switch @ $74.72	0	0
Report to Bidder B	8 @ 74.72 1 denied switch @ $74.72	0	1 @ 75.00
Report to Bidder C	9 @ 74.72	0	0

The Auction Manager reports to Bidder A that its switch was denied. The Auction Manager also reports to Bidder A that it has 9 CPP-A 1-year tranches bid at the round 2 price of 74.72 $/MWh and 1 denied switch, a CPP-A 1-year tranche at the round 1 price of 75.00 $/MWh. The Auction Manager reports to Bidder B that Bidder B has 8 tranches of CPP-A 1-year bid at the round 2 price of 74.72 $/MWh and 1 denied switch, a CPP-A 1-year tranche at the round 1 price of 75.00 $/MWh. The Auction Manager reports to Bidder B that Bidder B has 1 BGS-FP 1-year tranche bid at 75.00 $/MWh. The Auction Manager also reports to Bidder C that Bidder C has 9 tranches of CPP-A 1-year bid at the round 2 price.

IV. C. Round 3 and All Subsequent Rounds

Round 3 and all subsequent rounds generally proceed as does round 2. In the bidding phase of a round, a bidder bids by stating the number of tranches it is willing to serve of each product in the Auction at the going prices for the round. At all times, the total number of tranches bid by a bidder for all the products in the Auction cannot exceed the bidder's eligibility. The bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew in the previous round. At all times, the total number of tranches that a bidder bids for all products in a Group cannot exceed the load cap in that Group. At all times, the total number of tranches that a bidder bids for a product cannot exceed the product's tranche target.

A bidder can request to withdraw or switch tranches from a product, provided that the bidder reduces its number of tranches bid only from products for which the price has ticked down. To fully specify a bid, the bidder may be required to provide exit prices and/or switching priorities. In the reporting phase of the round, the Auction Manager reports on the general progress of the Auction, and the Auction Manager provides a bid report privately to each bidder.

Starting in round 3 and for all subsequent rounds, a bidder may face the following new situations and be subject to the following additional rules:

- A bidder's denied switches may be outbid and become free eligibility.
- A bidder's retained tranche from a withdrawal may be released.
- A bidder with retained tranches on a product from a denied switch who bids new tranches for this same product at the going price for the current round will be deemed to have bid all tranches (including retained tranches from the denied switch) at the going price.

Each of these circumstances or rules is explained in more detail below.

If a bidder has one or more tranches retained from a denied switch in a round, these tranches may be ***outbid*** in a subsequent round. This means that a tranche from a denied switch is being replaced in filling the tranche target for the product by a tranche that has been newly

bid at the going price by another bidder. This occurs because the Auction Manager takes bids in increasing order of price to fill the tranche target, first taking tranches bid at the going price, then withdrawn tranches, and finally denied switches. New tranches bid at the going price first replace the highest-priced tranches, which are the denied switches. If switches from more than one bidder are retained, and if not all denied switches are outbid, the Auction Manager chooses at random, for each denied switch that will be outbid, the bidder whose switch will be outbid. For the first denied switch that is outbid, the probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches divided by the total number of denied switches for that product. If a second denied switch must be outbid, the Auction Manager again will choose at random the bidder whose denied switch will be outbid. The probability that the Auction Manager chooses a bidder's denied switch is the bidder's number of denied switches that have not yet been outbid divided by the total number of denied switches that have not yet been outbid. The Auction Manager repeats this procedure until the required number of denied switches has been outbid.

A tranche from a denied switch for a product that is outbid becomes ***free eligibility*** in the next round. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost. A tranche of free eligibility can be bid on any product. If it is not bid it will be considered to be withdrawn; when a tranche of free eligibility is withdrawn, the bidder does not name an exit price and the tranche will not be retained.

If a bidder has one or more tranches retained from a requested withdrawal, these tranches may be released and the withdrawal granted as new tranches bid at the going price replace the tranches retained from withdrawals in filling the tranche target. As new tranches are bid at the going price these tranches outbid denied switches (if any) and then replace withdrawn tranches, starting with tranches withdrawn at the highest exit price. During the reporting phase, the Auction Manager reports privately to a bidder if a tranche – that had been withdrawn from a product and that had been retained – is now being released and thereby irrevocably removed from the Auction.

If withdrawn tranches from more than one bidder had been retained at the same exit price, and if not all retained tranches at that exit price are being released, the Auction Manager

chooses at random the bidder or bidders whose tranches are released and thereby irrevocably removed from the Auction. For the first retained tranche that should be released, the probability that a bidder is chosen is the bidder's number of retained tranches for the product at the tied exit price divided by the total number of retained tranches at that exit price for that product. If a second retained tranche needs to be released, the Auction Manager again will choose at random the bidder whose retained tranche will be released, and the probability that any one bidder is chosen is the bidder's number of retained tranches at the tied exit price that have not yet been released divided by the total number of retained tranches at the tied exit price that have not yet been released. The Auction Manager repeats this procedure until the required number of tranches has been released.

If a bidder has retained tranches on a product from a denied switch and if this bidder bids new tranches for this same product at the going price, the bidder will be deemed to have bid all tranches at the going price for that product. That is, tranches from the denied switch become tranches that are bid at the price for the current round. The Auction Manager, in filling the tranche target for the product, will take first tranches bid at the going price; in these tranches at the going price, the Auction Manager will include any denied switches that have become tranches bid at the current round price (because the bidder has bid new tranches for this same product at the current round price, and is thus indicating a willingness to serve this product at the going price).

Example 13. Anti-stalling.

Bidder A's bids in rounds 6 and 7 are given below (Bidder A does not bid for any other Products):

	CPP-A 1-year	*CPP-B 1-year*
Price Round 6 $/MWh)	67.50	68.00
Bidder A Bid (tranches)	4	0
Price Round 7 ($/MWh)	66.34	66.98
Bidder A Bid (tranches)	0	4

In round 7, Bidder A requests to switch 4 tranches. The Auction Manager denies part of the switch. Bidder A, in the reporting phase of round 7, is informed that its bid consists of 2 tranches of CPP-B 1-year at $66.98/MWh and 2 denied switches of CPP-A 1-year at

\$67.50/MWh (the price at which the tranches of CPP-A 1-year were last freely bid).		
	CPP-A 1-year	*CPP-B 1-year*
Report to Bidder A	2 denied switches @ \$67.50	2 @ \$66.98
In round 8, Bidder A reduces its number of tranches bid on CPP-B 1-year by 1 and increases its number of tranches bid on CPP-A 1-year. At the round 8 prices, Bidder A bids 1 tranche of CPP-B 1-year and 1 tranche of CPP-A 1-year at the going price. The denied switches are kept on CPP-A 1-year and cannot be freely bid.		
	CPP-A 1-year	*CPP-B* 1-year
Price Round 8 (\$/MWh)	66.34	66.81
Bidder A Bid (tranches)	1	1
Denied Switches	2 denied switches @ \$67.50	
Bidder A has bid a new tranche of CPP-A 1-year at the round 8 price while having switches denied on the same product at a higher price. Bidder A is then deemed to have bid all 3 CPP-A 1-year tranches at the round 8 price of \$66.34, as shown below. All 3 tranches of CPP-A 1-year become tranches bid at the round 8 price.		
	CPP-A 1-year	*CPP-B 1-year*
Price Round 8 (\$/MWh)	66.34	66.81
Report to Bidder A	3 @ \$66.34	1

IV. D. Reporting on the General Progress of the Auction

During the reporting phase, the Auction Manager reports on the general progress of the Auction to all bidders with positive eligibility or with retained withdrawals, to a list of representatives from ComEd, to a list of representatives from the Ameren Illinois Utilities, and to the ICC Staff. The Auction Manager reports a measure of the excess supply for the Auction. The Auction Manager also reports the going prices for all products in the next round.

The excess supply for the Auction is the sum, over all products, of the excess supplies for the individual products, plus all tranches of free eligibility, when applicable. The Auction Manager reports a range of excess supply for the Auction. The largest integer of each such range will be divisible by 5. The manner in which the excess supply for the Auction is reported

to bidders changes as the Auction progresses. Early in the bidding, when excess supply is larger relative to the volume in the Auction, the Auction Manager will report a narrower range of excess supply for the Auction. Toward the end of bidding, when excess supply is small relative to the volume in the Auction, the Auction Manager will report excess supply for the Auction in a wider range. When the excess supply has reached zero, bidding has closed.

The Auction Manager will announce the ranges of excess supply for the Auction that will be used when the Auction Manager announces the number of tranches to be procured for each product and when the Auction Manager announces the load caps. The Auction Manager will inform the registered bidders of any changes to these ranges of excess supply (necessitated by tranche targets that may be different from those that were anticipated) no later than September 17, 2007. Table 4 below provides illustrative ranges of excess supply.

Table 4. Illustrative Excess Supply Ranges

Ranges for Excess Supply	
Excess supply falls to 85 tranches or fewer: a single range remains (the last range)	0-85
Excess supply is between 86 and 150 tranches: ranges count 20 integers or more	86-110
	111-130
	131-150
Excess supply is 151 tranches or more: ranges count 10 integers	151-160
	161-170
	171-180 (etc.)

The Auction Manager also reports the going prices for the products for the next bidding phase. The going prices are calculated through formulas as explained below.

IV. E. Price Decrements

The price for a product only ticks down if the number of tranches bid for the product exceeds the tranche target for that product. The amount by which a price ticks down is called a decrement and it is a percentage of the previous going price.

The decrement for a product is larger (and thus the price for a product ticks down more quickly) if the excess supply for that product is larger. The excess supply for a product is measured against an estimate of the maximum possible excess supply that the product could attract. This estimate takes into account the excess supply for the Auction, the load cap for the Group to which the product belongs, the tranche target of the product, and the number of bidders registered for the Auction.

The decrement formulas allow the price decrements to be larger at the start of the bidding than in later rounds. Early in the bidding, when the number of tranches bid on a product exceeds the tranche target, the decrement is between 0.5% and 5% of the previous round price. Decrements continue to be between 0.5% and 5% of the previous round price until the going prices for round 4 are calculated or until excess supply for the Auction falls to the last range, whichever comes later. In the next round, decrements will be between 0.25% and 2.5% of the previous going price, and will remain so until the end of bidding. The Auction Manager will inform registered bidders no later than December 20, 2007 either that these decrement formulas are final or that these decrement formulas require modifications on the basis of the number of bidders. Provisional decrement formulas are provided in Appendix B (section VIII). Prices are measured in $/MWh and will be rounded off to the nearest cent.

IV. F. Pauses in the Auction

The Auction can be paused either by the bidders or by the Auction Manager. Any one bidder can pause the Auction by requesting an extension during a bidding phase or a recess during a calculating phase or a reporting phase (subject to the conditions below). The Auction Manager can also call a time-out at any time during a round.

IV. F. 1. Auction Pauses Called by Bidders

When a bidder requests an ***extension*** during the bidding phase of a round, such a request extends the bidding phase of the round for all bidders. Typically, an extension will be 15 minutes, but the Auction Manager may set a longer or shorter length for an extension. Bidders will be advised of the length of an extension at the start of each bidding session. An extension allows a bidder additional time to consider its bid for the current round or allows a bidder to deal with technical difficulties in submitting bids. The bidding phase of a round can

be extended only once. Each bidder is allowed three (3) extensions during the Auction. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions. Extensions from all bidders are granted but all extensions run concurrently. All bidders that have requested an extension during the bidding phase of a round will see their available number of extensions reduced and the extension will last only 15 minutes (or the time for an extension set by the Auction Manager). The Auction Manager reports to all bidders at the end of the planned bidding phase that the bidding phase has been extended.

A ***recess*** may only be requested during: 1) the calculating phase; or 2) during the reporting phase, before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. (That is, if the reporting phase of a round is scheduled to be 8 minutes, then the recess must be requested before the last 5 minutes of the reporting phase; if the reporting phase of a round is scheduled to be 14 minutes, then the recess must be requested before the last 7 minutes of the reporting phase.) A recess may only be requested by a bidder after round 10 and only if the excess supply is 85 tranches or fewer. The Auction Manager retains the discretion to set the length of a recess but the Auction Manager will not set the recess time to be less than 30 minutes. The Auction Manager will advise all bidders of the length of a recess at the start of the bidding session.

As soon as is feasible after the time at which a recess can be requested has passed, the Auction Manager reports to all bidders that a recess has been called. Each bidder is allowed to request at most one recess during the Auction. All recess requests are granted, but all requested recesses run concurrently. All bidders making a request in a given calculating or reporting phase will be deemed to have used a recess request. All bidders that have requested a recess will see their available number of recesses reduced by one.

Example 14. Recesses.

The total number of tranches in the Auction is 252.

In round 5, total excess supply is reported to be in the 281-300 range. Bidders are not able to request a recess in round 5 since round 11 has not yet been reached.

In round 12, the total excess supply is reported to be in the 0-85 range for the first time. Bidders can request a recess in round 13, since the total excess supply reported in the previous round (round 12) was at 85 tranches or below, and round 11 had been reached.

IV. F. 2. Auction Pauses Called by the Auction Manager

The Auction Manager can call a time-out at any time during a round. A typical time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a volume adjustment that may require bidders time to consider or in case of an extraordinary event that requires consultation of the Auction Manager and the ICC Staff. Whenever a time-out is called, the Auction Manager reports to all bidders with a remaining obligation how long the time-out is expected to last.

During the calculating phase of round 1, the Auction Manager may call a time-out to evaluate whether the volume should be adjusted. The Auction Manager has the discretion to call additional time-outs during the Auction. Such discretion could be used, for example, in case of an extraordinary event occurring during the Auction. The Auction Manager expects to exercise this discretion only rarely.

IV. G. Failure to Submit a Bid

A bidder with positive eligibility must submit a bid in every round. This is true even when the bidder's bid does not change. This is also true when a bidder is bidding only on products whose prices have not ticked down.

If a bidder with positive eligibility does not submit a bid during the bidding phase of a round, the bidder is granted an extension whenever possible. If the bidder has previously used up all of its extensions, or if the bidder does not submit a bid during the extension to the

bidding phase, then the bidder has failed to submit a bid. When a bidder with positive eligibility has failed to submit a bid in a round, the bidder is assigned a ***default bid***. A default bid for a bidder is the minimum number of tranches that the bidder could have bid on each product, as explained below.

The default bid for a bidder in round 1 is zero (0) tranches on each and every product.

The default bid for a bidder in round 2 and all subsequent rounds is described in detail as follows.

If the bidder had some tranches of free eligibility, these tranches are deemed to be withdrawn and are irrevocably removed.

If, in the previous round, a bidder did not bid any tranches on a product at the going price and, in the reporting phase of that round, the Auction Manager reported that the bidder did not have any retained withdrawals or denied switches for that product, then the bidder is assigned zero tranches for that product.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for the previous round, and if the product's price ticked down from the previous round to the current round, then the bidder is deemed to have withdrawn all tranches at the highest exit price, namely the price from the previous round. The bidder loses the eligibility associated with these tranches. All tranches with a lower exit price named by bidders that have submitted a bid in the current round are retained first. All tranches with the same exit price named by bidders that have submitted a bid in the current round are retained next. If all the withdrawn tranches by the bidder and by other bidders that were assigned a default bid are needed to fill the tranche target, these tranches are retained. If some but not all of the tranches submitted by the bidder and other bidders that were assigned a default bid are needed, tranches are chosen at random to fill the tranche target, in a procedure analogous to that used for bidders that submitted a bid, as described in section IV. B. 2.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product at the going price for that round, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from the previous round to the current round;

and if there is excess supply for the product in the current round, so that the price will tick down in the next round, then:

- all withdrawals that were previously retained are released and the bidder has no remaining obligation from those tranches;
- all switches that had previously been denied are outbid and the bidder is assigned free eligibility for those tranches;
- all tranches previously bid at the going price are bid again on the product at the going price. If the bidder does not bid in the next round these tranches will be withdrawn and assigned the highest exit price.

If, as of the reporting phase in the previous round, a bidder had some tranches on a particular product bid at the going price, and/or retained withdrawals, and/or denied switches; if the product's price did not tick down from that round to the current round; and if there is no excess supply for the product in the current round so that the price will not tick down in the next round, then:

- any tranches bid at the going price continue to be bid at the going price;
- if any new tranches were bid on the product at the going price in the current round, the denied switches (if any) of bidders that have been assigned default bids are outbid first, before the denied switches of bidders that have submitted a bid in the current round are outbid. If more than one bidder has been assigned a default bid, and if some but not all denied switches from such bidders are outbid, then for each denied switch that must be outbid, the Auction Manager chooses at random among the default bidders the bidder whose switch is outbid, in a procedure analogous to that used for bidders that submitted a bid, as described in section IV. C;
- if any new tranches were bid on the product at the going price in the current round, and if all denied switches from default bidders and from bidders that submitted a bid are outbid, retained withdrawals are released, starting with the highest named exit price. For a given exit price, tranches from bidders that have been assigned default bids (if any) are released first, before the retained

withdrawals of bidders that have submitted a bid in the current round. If more than one bidder has been assigned a default bid, and if some but not all of the retained withdrawals from such bidders must be released at a given exit price, then for each retained withdrawal that must be released, the Auction Manager chooses at random among the default bidders the bidder whose withdrawn tranche is released, in a procedure analogous to that used for bidders that submitted a bid, as described in section IV. C.

The bidder can lose its ability to bid for all future rounds by failing to bid during the bidding phase of a round or during its extension. It is the responsibility of the bidder to ensure that bids are submitted on time.

Example 15. Default Bid.

Bidder A submits the following bid in round 5 (Bidder A is not bidding on any other products besides the ones shown in this example):

	CPP-A 1-year	*CPP-B 1-year*	*CPP-B 3-year*	*BGS-LFP 1-year*	*BGS-FP 3-year*
ROUND 5 (Bid)					
Round 5 Price	85.25	80.71	79.25	83.00	81.00
Bid (Tranches)	0	4	2	0	0

The Auction Manager reports to Bidders A that its bid in round 5 is accepted as it was submitted. The Auction Manager announces the new prices for each product for round 6. Bidder A submits the following bid in round 6.

	CPP-A 1-year	*CPP-B 1-year*	*CPP-B 3-year*	*BGS-LFP 1-year*	*BGS-FP 3-year*
ROUND 6 (Bid)					
Round 6 Price	84.25	79.71	78.18	82.00	80.00
Bid (Tranches)	2	4	0	0	0

This bid represents a switch, whereby Bidder A has increased the number of tranches on

CPP-A 1-year while decreasing the number of tranches on CPP-B 3-year. Other bidders reduce their number of tranches bid on CPP-B 3-year in the same round. To fill the tranche target of this product, the Auction Manager denies Bidder A's requested switches. These tranches will be retained at the last price at which they were freely bid.

The Auction Manager thus reports the following:

	CPP-A 1-year	*CPP-B 1-year*	*CPP-B 3-year*	*BGS-LFP 1-year*	*BGS-FP 3-year*
ROUND 6 (Report)					
Round 7 Price	83.75	79.21	78.18	81.63	79.56
Report to Bidder A (Tranches)	0	4	2 denied switches @ $79.25	0	0

In round 7, the minimum number of tranches that Bidder A can bid on CPP-A 1-year, BGS-LFP 1-year, and BGS-FP 1-year is zero, because Bidder A did not bid any tranches on these products in round 6. The minimum number of tranches that Bidder A can bid on CPP-B 1-year is zero, since the price for CPP-B 1-year has ticked down from $79.71/MWh to $79.21/MWh. The minimum number of tranches that Bidder A can bid on CPP-B 3-year is 2, since the price for CPP-B 3-year has not ticked down and Bidder A has two denied switches on CPP-B 3-year.

In round 7, Bidder A fails to submit a bid in the bidding phase of the round. Bidder A is granted an extension but does not submit a bid during the extension. Bidder A will be assigned the following bid, which is its default bid. Bidder A is the only bidder that is assigned a default bid. Bidder A's number of tranches bid for each product that does not appear in this example is zero.

	CPP-A 1-year	*CPP-B 1-year*	*CPP-B 3-year*	*BGS-LFP 1-year*	*BGS-FP 3-year*
ROUND 7 (Default Bid)					
Price ($/MWh)	83.75	79.21	78.18	81.63	79.56
Default Bid for Bidder A (Tranches)	0	0	2 denied switches @	0	0

	$79.25	

None of Bidder A's withdrawn tranches are retained; tranches from other bidders that actually submitted bids are sufficient to fill the tranche target for CPP-B 1-year. During round 7, three new tranches are bid on CPP-B 3-year by other bidders. Both of Bidder A's tranches become outbid denied switches and are free eligibility. Bidder A's eligibility for round 8 is 2. Should Bidder A again fail to bid in round 8, this free eligibility will be lost. Bidder A would be assigned eligibility of zero for round 9 and would lose the ability to bid for the remainder of the Auction.

IV. H. End of Illinois Auction

Bidding ends at the same time for all products in the Auction, in the reporting phase before the first round in which excess supply is zero. At that point, all prices have stopped ticking down any further and no bidder could change its bid.

At the end of the bidding, tranches are allocated to the winners and all the winners for a product receive the same price (the final Auction price) for that product. As long as the tranche target is filled in any round prior to the final round, the tranche target for a product will be filled at the end of the Auction. For all products where the tranche target is filled at the end of the Auction, the final Auction price is the lowest price bid that still allows supply just sufficient to fill the tranche target. The price for each product is determined more precisely as explained below.

The final Auction price for a product depends on how the tranche target for the product was filled in the final round. When the tranche target of a product is filled at the end of the Auction, the final Auction price is determined as follows.

If, to fill the tranche target for a product in the final round, only tranches bid at the price from the final round are used, the winners are those that submitted bids at the price from the final round. The final Auction price given to all winners is the going price from the final round.

If, to fill the tranche target for a product in the final round, withdrawn tranches must be retained, but no switches were denied, then the winners are the bidders that submitted bids at

the going price from the final round and the bidders that submitted the lowest of the exit prices. If, to fill the last tranches of the tranche target of a product in the final round, the Auction Manager must use some but not all the tranches from two or more bidders tied at the same exit price, then the Auction Manager, for each tranche, will choose at random the bidder whose tranche is retained, as described in section IV. B. 2. The final Auction price given to all winners is the last exit price that was accepted to fill the tranche target.

If, to fill the tranche target for a product in the final round the Auction Manager must deny requests to switch, then the winners are the bidders that submitted bids at the going price from the final round, the bidders that withdrew tranches (if any), and the bidders whose requests to switch (by reducing the number of tranches of that product) were denied. The final Auction price received by all winners is the price at which the denied switches were last freely bid.

Example 16. End of Auction.

The tranche target for the CPP-A 1-year is 88 tranches.

In round 74, 89 tranches for CPP-A 1-year are bid at a price of $40.00/MWh. In round 75, 84 tranches for CPP-A 1-year are bid at a price of $39.90/MWh.

Bidder A bids 8 tranches for CPP-A 1-year in round 74 and 5 tranches in round 75. Bidder A enters an exit price equal to the last round going price of $40.00/MWh for the 3 tranches it is withdrawing.

Bidder B bids 5 tranches for CPP-A 1-year in round 74 and 3 tranches in round 75. Bidder A enters an exit price of $39.95/MWh for the 2 tranches it is withdrawing.

No other bidder changes its number of tranches bid on CPP-A 1-year. Collectively, all other bidders bid 76 tranches for CPP-A 1-year in both rounds 74 and 75. The excess supply for the Auction in round 75 is zero and bidding ends in round 75. Eighty-four tranches for CPP-A 1-year are allocated to the bidders that bid at the going price of $39.90/MWh. Two additional tranches are allocated to Bidder B since it submitted a lower exit price. Finally, Bidder A wins 2 additional tranches so that the tranche target is filled. All winning bidders will receive a price of $40.00/MWh, which is the lowest price at which the tranche target is filled.

The tranche target for a product will be filled at the end of the Auction as long as the tranche target was filled in any round prior to the final round. Once the tranche target for a product is filled in a round, the Auction Manager ensures that the tranche target remains filled by retaining withdrawals and denying switches if necessary. However, if in the final round the tranche target for a product is not filled, the winners (if any) are those that submitted bids at the round 1 price, which is the final Auction price. For a ComEd product, the tranches from the product that are not filled would be served pursuant to ComEd's Contingency Plan. For an Ameren product, the tranches that are not filled for the product would be served pursuant to Ameren's Contingency Plan.

V. POST AUCTION ACTIONS

ComEd's CPP tariff and the Ameren Illinois Utilities' MV tariffs provide for prompt post-auction consideration of the Auction results by the Commission. The Auction Manager will provide a confidential report on the auction process to the Commission within one (1) business day of the close of the Illinois Auction. ICC Staff will prepare a second independent confidential report on the auction process, within two (2) business days of the close of the Illinois Auction.

If the ICC concludes, within five (5) business days of the close of the Auction, that no grounds are present for a formal investigation or other formal proceeding, ComEd and the Ameren Illinois Utilities will proceed with acquisition of supply from the successful bidders. This circumstance is referred to as a Successful Result**.**

The ICC will determine, within five (5) business days of the close of the Auction, whether to initiate a formal investigation or other formal proceeding concerning the results of the Auction. If the ICC initiates a formal investigation or other formal proceeding regarding the Auction results, ICC Staff, ComEd, the Ameren Illinois Utilities, and the Auction Manager will determine whether the descending clock Auction can be conducted again starting in round 1 in a manner than addresses the ICC's concerns. Please note that during this determination of whether the descending clock Auction will be conducted again the bidders previously registered for the auction will still be bound by their letters of credit provided with the Part 2

Application as well as by the certifications they made in the Part 1 Application and the Part 2 Application. In the event that the descending clock Auction is conducted again the bidders previously registered for the auction will again continue to be bound by their letters of credit and the certifications made in their Part 1 and Part 2 Applications. If it is determined that the descending clock Auction should not be conducted again, the results of the Auction are rejected. The results of the Auction are null and void and certain contingency provisions under the Rider CPP tariff (for ComEd) and the Rider MV tariffs (for the Ameren Illinois Utilities) are triggered. If the descending clock Auction is conducted again with bidders previously registered for the Auction, the ICC will determine, within five (5) business days of the close of the Auction conducted a second time, whether to take action. If the ICC takes action, the results of the Auction are rejected. The results are null and void and certain contingency provisions under the Rider CPP tariff (for ComEd) and the Rider MV tariffs (for the Ameren Illinois Utilities) are triggered. If the ICC does not take action, this circumstance is also referred to as a Successful Result.

In the event of a Successful Result, the Auction Manager would make a Declaration of a Successful Result. ComEd and the Ameren Illinois Utilities would then proceed with the acquisition of supply from the successful bidders.

The Auction Manager will notify each winner of the number of tranches it has won and the final Auction prices. The Auction Manager will notify ComEd and the Ameren Illinois Utilities of the following for their respective products: the identity of the winners, the number of tranches won by each winner, and the final prices.

Each winner in a CPP Group and ComEd will have until the close of business of the third business day after the Date of Declaration of a Successful Result to execute the applicable Supplier Forward Contract(s). Similarly, each winner in a BGS Group and the Ameren Illinois Utilities will have until the close of business of the third business day after the Date of Declaration of a Successful Result to execute the applicable Supplier Forward Contract(s).

The letter of credit provided with the Part 2 Application is held as security to cover damages incurred by ComEd and/or the Ameren Illinois Utilities in the event that a bidder has a winning bid in the Illinois Auction and, following the Auction Manager making a Declaration of a Successful Result, the winner fails to:

- Execute the applicable Supplier Forward Contract(s) within the deadline; or
- Demonstrate compliance with the creditworthiness requirements as set forth in the applicable Supplier Forward Contract(s); or
- Represent itself accurately in the Part 1 Application or the Part 2 Application, fails to agree to the provisions, requirements, etc. set forth in the Auction Rules, or fails to agree to any of the terms of the applicable Supplier Forward Contract(s).

Effective with the exercise by ComEd of its right to collect on the winner's letter of credit, any contractual rights or other entitlements of the winner shall immediately terminate without further notice by ComEd. In addition, the winner shall be liable for damages incurred by ComEd, which damages shall be determined in accordance with the terms of the Supplier Forward Contract as if the winner were a defaulting party to that Agreement, and the amount of the letter of credit posted shall not be a limitation on such damages. Similarly, effective with the exercise by the Ameren Illinois Utilities of its right to collect on the winner's letter of credit, any contractual rights or other entitlements of the winner shall immediately terminate without further notice by the Ameren Illinois Utilities. In addition, the winner shall be liable for damages incurred by the Ameren Illinois Utilities, which damages shall be determined in accordance with the terms of the Supplier Forward Contract as if the winner were a defaulting party to that Agreement, and the amount of the letter of credit posted shall not be a limitation on such damages.

Each winner will pay a fee per tranche won (the ***Supplier Fee***). This fee, together with the Bid Participation Fee, will be set to recover all the costs associated with the Auction. The Auction Manager will announce the fee per winning tranche no later than January 3, 2008. The Bid Participation Fee will be deducted from any applicable Supplier Fees, and this total will be netted against the first payment due to the winner during the supply period, reducing the balance paid accordingly.

No later than fifteen (15) business days of the close of the Auction, the Auction Manager will release the first part of its Public Report and the ICC Staff will release the first part of its Public Report, which will provide information about the auction process. Included in these reports will be a discussion about the conduct of the Auction itself, suggestions for future

improvements. Such information is intended to assist in improvement proceedings and workshops that will be held by the ICC. No later than sixty (60) business of the close of the Auction, certain, the Auction Manager will release the second part of its Public Report, which includes specific information that was held confidential up to that point in time, such as the number of tranches that each winning bidder will be supplying of each product.

VI. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The Association and Confidential Information rules are described below.

VI. A. Process for Reporting Associations, Identifying Concerns and Remedies

A prospective bidder applying to qualify to bid in the Illinois Auction will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate in the Auction, it will not disclose information regarding the list of qualified bidders. A prospective bidder will also be required to certify that it accepts the terms of all Supplier Forward Contract(s) and, should it be a winner, it will sign the applicable Supplier Forward Contract(s) and comply with all creditworthiness requirements within three (3) business days of a Date of Declaration of a Successful Result. With its Part 1 Application, each prospective bidder will be required to pay a Bid Participation Fee that will contribute to covering the administration costs of the Auction.

Once entities are qualified to bid in the Auction, each bidder qualified will be asked in its Part 2 Application to make a number of certifications, each detailed below, and each bidder may be required to provide additional information to the Auction Manager if a certification cannot be made. In particular, each qualified bidder will be informed of the list of qualified bidders and will be asked to certify that it is not associated with any other qualified bidder. If a qualified bidder cannot make such a certification, it will be asked to identify associations it may have with other qualified bidders. The criteria that determine whether two bidders are associated with one another are given below. If two qualified bidders are associated with one

another, the Auction Manager in consultation with ICC Staff will determine whether the two qualified bidders can both participate to bid in the Auction, as well as the terms and conditions of such participation. The Auction Manager in consultation with ICC Staff may require qualified bidders that are associated with one another to bid as one entity or to take other appropriate actions so as to no longer be associated with one another.

Each qualified bidder will be asked to certify that it will undertake to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction process (both of which are defined in section VI. C). A qualified bidder will also be asked to certify that it has not come and will not come to any agreement with another qualified bidder with respect to bidding in the Illinois Auction, except as disclosed and approved by the Auction Manager in its Part 1 Application.

Before obtaining final documentation necessary to participate in the Auction, registered bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction process.

VI. B. Association Criteria

1. Preliminary Definitions

    a. A party controls an entity directly if the party holds a majority of shares, majority voting power, a majority of common directors, can appoint a majority of directors, or if the party in fact controls the entity's affairs through some other means. A party controls an entity indirectly if the party controls another entity that controls the entity in question (or through a longer line of control; e.g., if the party controls another entity that controls an entity that controls the entity in question, etc.).
    b. A party participates directly in another entity Z if the party holds any class of listed shares, if it holds the right to acquire such shares, if it holds any option to purchase shares or if it has voting power. The participation is indirect if the party participates in another entity that participates in Z (with potentially a longer line of "indirect participation"). When the participation is indirect,

the percentage of participation of the party in the entity is obtained by multiplying the percentages of participation at each level.

c. A party is concerned with the bid of a bidder if the party has Confidential Information relative to the bidders' bidding strategy (see definition in the next section), has agreed to provide assistance with financing or has agreed to provide assistance in another way.

2. Bidder A and Bidder B are associated with each other if Bidder A

   a. Controls bidder B, directly or indirectly; or
   b. Has at least a 10% participation in Bidder B and is concerned with Bidder B's bid; or
   c. Controls an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid; or
   d. Is controlled by an entity that controls Bidder B directly or indirectly; or
   e. Is controlled by an entity that has at least a 10% participation, direct or indirect, in Bidder B and that is concerned with Bidder B's bid.

3. Bidder A and Bidder B are associated if there is a party which

   a. Controls Bidder A, directly or indirectly; or
   b. Has at least a 10% participation in Bidder A, directly or indirectly, and is concerned with Bidder A's bid; or
   c. Controls an entity that has at least a 10% participation in Bidder A, direct or indirect, and is concerned with Bidder A's bid; or
   d. Has Confidential Information about Bidder A's bid and is controlled by Bidder A; or
   e. Has Confidential Information about Bidder A's bid and is controlled by an entity or person that controls Bidder A directly or indirectly; or
   f. Has Confidential Information about Bidder A's bid and is controlled, directly or indirectly, by an entity that has at least a 10% participation in Bidder A and is concerned with Bidder A's bid;

and if this same party also has any one of the relationships (a. through f. described above) with Bidder B.

4. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in both bidders.

5. Bidder A and Bidder B are associated if there is a party that has at least a 20% participation, directly or indirectly, in Bidder A and that:

    a. Has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    b. Is controlled by Bidder B; or
    c. Controls a person or entity that controls Bidder B; or
    d. Controls a person or entity that: has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    e. Is controlled by a person or entity that controls Bidder B directly or indirectly; or
    f. Is controlled by a person or entity that has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid; or
    g. Is controlled by a person or entity who controls a person who has at least 10% participation in Bidder B, directly or indirectly, and is concerned with Bidder B's bid.

VI. C. Definitions of Confidential Information

Confidential Information relative to bidding strategy means information relating to a bidder's bid in the Illinois Auction, whether in writing or verbally, which if it were to be made public would likely have an effect on any of the bids that another bidder would be willing to submit. Confidential Information relative to bidding strategy includes (but is not limited to) a bidder's strategy; a bidder's indicative offer; the bidder's preference to bid for one product rather than another; the quantities that a bidder wishes to serve; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for the Auction; and a bidder's contractual arrangements for purchasing power to serve such load were the bidder to be a winner in the Auction.

Confidential Information regarding the auction process means information that is not released publicly by the ICC or the Auction Manager and that a bidder acquires as a result of participating in the auction process, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future Auctions, impair the ability of ComEd or Ameren to hold future Auctions, harm consumers, or injure bidders or applicants. Confidential Information regarding the auction process includes (but is not limited to) the list of qualified bidders, the list of registered bidders, the initial eligibility in the Auction, the status of a bidder's participation in the Auction, and all non-public reports of results and announcements made by the Auction Manager to all or any one bidder during the auction process.

VI. D. Certifications and Disclosures to Be Made

In certifications 1 through 15 below, "prospective bidder" refers to an entity submitting a Part 1 Application for the Auction, "qualified bidder" refers to a bidder qualified to participate in the Auction through a successful Part 1 Application, and "registered bidder" refers to a bidder registered to participate in the Auction through a successful Part 2 Application.

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the Auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction.

In addition, a prospective bidder will be required to make the following certifications. Certification 1 will apply from the time that the Part 1 Application has been submitted. Certification 2, 3, and 4 will apply from the time that the Part 1 Application has been submitted until the Supplier Forward Contracts are signed or until the results of the Auction are rejected.

1. A prospective bidder must certify that if it becomes a qualified bidder, the prospective bidder will not disclose information regarding the list of qualified bidders, including the number of qualified bidders, the identity of any or all qualified bidders, or the fact that an entity has not been qualified for further participation in the Auction.

2. A prospective bidder must certify that if it becomes a qualified bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a qualified bidder to another entity. The prospective bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from further participation in the Auction.

3. A prospective bidder must certify that it agrees that the submission of any bid on a product in the Auction creates a binding and irrevocable offer to provide service under the terms set forth in the applicable Supplier Forward Contract for that product.

4. A prospective bidder must certify that it agrees that upon the Declaration of a Successful Result for the Auction, a binding and enforceable contract to provide service with respect to the number of tranches for which the prospective bidder is a winner will arise under the applicable Supplier Forward Contract(s), and that the prospective bidder will execute all applicable Supplier Forward Contract(s) and comply with the creditworthiness requirements contained therein within three (3) business days of the Date of Declaration of a Successful Result for the Auction.

Certification 5 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until the date the Supplier Forward Contracts are signed or until the results of the Auction are rejected. Certifications 6 through 10 will be required of each qualified bidder in its Part 2 Application and will apply from the time of qualification until the Date of Declaration of a Successful Result or until the results of the Auction are rejected. Each qualified bidder must consult the list of all qualified bidders for the Auction and attest to the following:

5. A qualified bidder must certify that it is not associated with any other qualified bidder according to the criteria given above.

A qualified bidder unable to make certification 5 must identify any and all qualified bidders with which it is associated and must provide a description of the nature of any and all such associations.

6. A qualified bidder must certify that, other than qualified bidders that were explicitly named in its Part 1 Application as entities with which the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction, the bidder has not entered into any agreement with any other qualified bidder regarding bidding for the Auction, including, but not limited to, the amount to bid at certain prices, the product(s) on which bids are placed, when or at what prices bids are withdrawn or switched, and/or the amount of exit prices as defined in section IV.B.

An ***Advisor*** is a person or persons who will be advising or assisting the qualified bidder with respect to bidding strategy for the Auction, estimation of the value of any tranche, or estimation of the risks associated with any tranche.

7. A qualified bidder must certify either: (i) that it has not retained an Advisor; or (ii) if it has retained an Advisor, that such Advisor is explicitly named in the Part 2 Application, and that such Advisor will: (a) not discuss Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the auction process provided by the qualified bidder except with such qualified bidder; (b) not use Confidential Information relative to the qualified bidder's bidding strategy or Confidential Information regarding the auction process provided by the qualified bidder for any purpose other than to provide advice to the qualified bidder; (c) be bound by all certifications made by the qualified bidder in its Part 1 Application and in its Part 2 Application; (d) not provide any similar advice or assistance to any other qualified bidder.

A qualified bidder who has an Advisor must name the Advisor in its Part 2 Application. A qualified bidder who is unable to make certification 7 must identify all reasons for such inability. If the Advisor is providing similar advice or assistance to any other qualified bidder(s), or if the Advisor has access to Confidential Information relative to any other qualified bidder's bidding strategy, or if the Advisor has access to Confidential Information regarding the auction process other than as provided by the qualified bidder, the qualified bidder must describe any and all protections (such as confidentiality agreements) that have

been put in place to ensure that the Advisor does not serve as a conduit of information between bidders, or as a coordinator of the bidding strategies of multiple bidders.

8. A qualified bidder must certify that the qualified bidder is not a purchasing party in any contract for any product, or any component of such product, related to the Auction, and (i) that would require the disclosure of any Confidential Information relative to bidding strategy or Confidential Information regarding the auction process to a counterparty under such a contract or to any other entity; or (ii) that would provide instructions, direct financial incentives, or other inducements for the qualified bidder to act in a way determined by a counterparty under such contract or in concert with any other bidder participating in the Auction. Notwithstanding the above, prior to the Auction, a qualified bidder may, during negotiations with an entity other than a qualified bidder regarding contractual arrangements for the qualified bidder to purchase all components to satisfy any product, or any component of such product, related to the Auction in the event that the bidder becomes a winning bidder for the Auction, discuss with a prospective counterparty to such contract the nature of the product or components that the qualified bidder would purchase, the volume of any such product or components, and the prices of such product(s) or components.

A qualified bidder unable to make certification 8 must disclose the contractual arrangements that prevent the qualified bidder from making the certification.

9. A qualified bidder must certify that it does not have any knowledge of Confidential Information relative to the bidding strategy of any other qualified bidder.

A bidder unable to make certification 9 must name the other qualified bidder and the nature of the Confidential Information.

10. A qualified bidder must certify that it will not disclose Confidential Information relative to its own bidding strategy except to entities that were explicitly named in its Part 1 Application as entities with whom the bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction, to bidders with which

it is associated as disclosed through certification 5, to its Advisor, and to its financial institution.

A qualified bidder unable to make certification 10 must identify all reasons and must identify the entities to which an information disclosure has or will be made.

In its Part 2 Application, a qualified bidder makes certifications 11 through 13 which will apply from the time of the Part 2 Application.

11. A qualified bidder must certify that, other than entities affiliated with the qualified bidder; other than entities with which the bidder has entered a bidding agreement, or a joint venture for purpose of participating in the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction as named in the Part 1 Application; and other than bidders with which the qualified bidder is associated as disclosed through certification 5; no entity has agreed to defray any of its costs in participating in the Auction, including the cost of preparing bids, the cost of any financial guarantees, the cost to be paid in the event such qualified bidder becomes a winning bidder, or any other participation cost or fee.

A qualified bidder unable to make certification 11 must identify the entity that has agreed to defray some or all of the qualified bidder's cost of participating in the Auction, and the nature of the participation costs that the entity has agreed to defray.

12. A qualified bidder must certify that if it becomes a registered bidder, the qualified bidder will not, at any time, disclose information regarding the total initial eligibility or the list of registered bidders, including the number of registered bidders, the identity of any or all registered bidders, or the fact that an entity has not been registered for further participation in the Auction.

This certification 12 provides an exception with respect to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the Auction, or a bidding

consortium, or any other arrangement pertaining to participating in the Auction; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A qualified bidder unable to make certification 12 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

13. A qualified bidder must certify that it will not, at any time, disclose any Confidential Information regarding the auction process other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

A prospective bidder unable to make certification 13 must identify all reasons and must identify the entities to which an information disclosure has been or will be made.

In its Part 2 Application, a qualified bidder makes certification 14 which will apply from the time of the Part 2 Application until the date the Supplier Forward Contracts are signed or until the results of the Auction are rejected.

14. A qualified bidder must also certify that if it becomes a registered bidder, it will not substitute another entity in its place, transfer its rights to another entity, or otherwise assign its status as a registered bidder to another entity. A qualified bidder must further certify that it understands that any such substitution, transfer, or assignment is null and void, and will result in its exclusion from participation in the Auction.

Following a successful Part 2 Application, the registered bidder will be required to certify that it will continue to abide by its prior commitment to maintain the confidentiality of information regarding the auction process. The registered bidder will be required to do so before obtaining manuals and procedures essential to submit bids in the Auction.

15. A registered bidder certifies that it continues to abide by its prior confidentiality certifications. The registered bidder will not disclose any Confidential Information regarding the auction process other than to: i) entities explicitly named in the Part 1 Application as entities with which the qualified bidder has entered into a bidding agreement, or a joint venture for the purpose of participating the Auction, or a bidding consortium, or any other arrangement pertaining to participating in the Auction; or ii) its Advisor; or iii) bidders with which it is associated as disclosed through certification 5.

If there is a Declaration of a Successful Result for the Auction, the Auction Manager will release information regarding final Auction prices and the names of the winners for the Auction. The ICC may choose to release additional information. At that point, a winner may itself release information regarding the number of tranches it has won and the products that the winner will be serving, and a losing bidder may itself release information only regarding the fact that it participated in the Auction. The winners and losing bidders otherwise continue to be bound by their certifications as described previously.

VI. E. Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the above certifications, the Auction Manager in consultation with ICC Staff will decide within five (5) business days on a course of action on a case-by-case basis. To decide on this course of action, the Auction Manager may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

In general, qualified bidders that are associated with one another, or that have entered into agreements regarding bidding for the Auction, are considered as one bidder for the purposes of application of the load caps for bidding for the Groups and for the administration of the Auction. Bidders can be allowed to bid independently or can be asked to end their association or agreement as a condition of participation, as circumstances warrant. If qualified bidders are asked to end their associations they will be given five (5) business days to do so.

If qualified bidders do not comply with additional information requests by the Auction Manager regarding certifications required in the Part 2 Application, or do not comply with a

request from the Auction Manager to end their associations, this may be sufficient grounds for the Auction Manager to reject the application.

Sanctions can be imposed on a qualified bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing Confidential Information or disclosing information during the Auction (aside from only the specific exceptions provided above with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, to an Advisor; or bidders with which it is associated), and in general for failing to abide by any of the certifications that the bidder will have made in its Part 1 or Part 2 Application. Such sanctions can include, but are not limited to, any one or more of the following: the loss of all rights to provide tranches won in the Auction by such bidder; the forfeiture of letters of credit and other fees posted or paid; liquidated damages of $100,000; action (including prosecution) under applicable state and/or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future Auctions; and/or other sanctions that the ICC may consider appropriate.

Should such an event occur, the Auction Manager in consultation with ICC Staff will make a recommendation regarding a sanction.

VII. APPENDIX A: GLOSSARY OF AUCTION TERMS

Advisor

An Advisor is a person or persons who will be advising or assisting the bidder with respect to bidding strategy for the Auction, estimation of the value of any tranche, or estimation of the risks associated with providing supply for any tranche.

Associated with

A qualified bidder is associated with another qualified bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. See "Association and Confidential Information Rules" in this document for more precise criteria.

Auction Results Are Rejected

The results of the Auction are rejected when a) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction should not be conducted again; or b) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction should be conducted again with bidders previously registered for the Auction; and: the ICC decides to take action within five (5) business days of the close of the Auction conducted a second time.

BGS Group

The BGS Group is the collection of Ameren product(s) in the Auction. The BGS Group consists of three (3) BGS-FP products of varying contract durations and one (1) BGS-LFP product.

BGS Load

BGS Load is the load associated with customers who have not elected to receive service from a RES in Ameren's territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for the Ameren's zones.

BGS-FP Load

BGS-FP Load, which is a residual obtained by subtracting BGS-LRTP Load and BGS-LFP Load from BGS Load adjusted for system losses, represents the load of all customers of less than 1 MW of demand (the R&SB customers) who have not elected to receive service from a RES.

BGS-LFP Load

BGS-LFP Load includes the sum of the hourly load of all Ameren's customers with demand of 1 MW or greater (the LC&I customers) who have not elected to take real-time pricing service and who have not elected to receive service from a RES, times a loss expansion factor to appropriately reflect system losses.

BGS-LRTP Load

BGS-LRTP Load includes the sum of the hourly load of all Ameren's customers with demand of 1 MW or greater (the LC&I customers) who have elected to take real-time pricing service times a loss expansion factor, to appropriately reflect system losses, and for purposes a determining BGS-LRTP supply, is net of nominal generation from QFs.

Bid

A bid is the number of tranches of each product that the bidder wishes to supply at the prices announced by the Auction Manager.

Bid Participation Fee

The Bid Participation Fee is a fee that is required from all prospective bidders with their Part 1 Applications. The Bid Participation Fee, together with the Supplier Fee, will be used to cover the administration costs of the Auction. The amount of the Bid Participation Fee is announced when Part 1 Applications are made available to interested parties, on September 17, 2007.

Bidding Consortium

A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the Auction. A bidding consortium is also a set of companies joining together to supply load for products in the Auction with each providing different expertise or components.

Bidding Phase

In the bidding phase of the round, bidders place their bids for each product in the Auction.

Calculating Phase

In the calculating phase of the round, the Auction Manager tabulates the results of that round's bidding phase and calculates the prices for the next round.

Contingency Plan (the Ameren Illinois Utilities)

If as a result of a volume reduction by the Auction Manager the tranche targets for products in a BGS Group are reduced, the Ameren Illinois Utilities will implement a Contingency Plan for the tranches that have been removed. Under this Contingency Plan, the Ameren Illinois Utilities will purchase necessary services to serve BGS-FP Load and/or BGS-LFP Load for one year, including capacity and energy, through MISO-administered markets. Pursuant to this Contingency Plan, which is described in more detail in Ameren's MV tariffs,

the Ameren Illinois Utilities will not negotiate contracts with suppliers for BGS-FP Load or BGS-LFP Load after the Auction.

Contingency Plan (ComEd)

If as a result of a volume reduction by the Auction Manager the tranche targets for products in a CPP Group are reduced, ComEd will implement a Contingency Plan for the tranches that have been removed. Under this Contingency Plan, ComEd will purchase necessary services to serve CPP-A Load and/or CPP-B Load for one year, including installed capacity, energy, transmission, and ancillary services through PJM-administered markets. Pursuant to this Contingency Plan, which is described in more detail in ComEd's CPP tariff, ComEd will not negotiate contracts with suppliers after the Auction.

CPP Group

The CPP Group is the collection of ComEd product(s) in the Auction. The CPP Group consists of three (3) CPP-B products of varying contract durations and one (1) CPP-A product.

CPP Load

CPP Load is the load associated with customers who have not elected to receive service from a RES in ComEd’s territory, and it is obtained by subtracting the load served with power from RESs from the total retail load for ComEd’s zone.

CPP-A Load

CPP-A load includes the hourly load of all of ComEd’s larger commercial and industrial customers (greater than 400 kW) who are eligible to take electric service under a rate that has not been declared competitive, who have not elected a real-time pricing service, who have not elected to receive service from a RES, and who are not certain types of self-generating customers, as well as all customers who have elected to take service under Rider PPO-MVM, times a loss factor to appropriately reflect system losses.

CPP-B Load

CPP-B load, which is a residual obtained by subtracting CPP-A Load and CPP-H Load from CPP Load, includes the load of ComEd's residential, designated Lighting service and smaller commercial customers (400 kW or less) who have not elected a real-time pricing service, who have not elected to receive service from a RES, and who are not certain types of self-generating customers, and includes the load of smaller commercial customers with demand 400 kW or less of load who have elected to take service under Rider PPO-MVM, times a loss expansion factor to appropriately reflect system losses.

CPP-H Load

CPP-H load includes the sum of the hourly load of ComEd's larger customers whose electric service rate has been declared competitive and who have not elected to receive service from a RES, smaller customers who voluntarily elect real-time pricing, and certain types of self-generating customers, times a loss factor to appropriately reflect system losses, and for purposes a determining CPP-H supply, is net of nominal generation from QFs.

Date of Declaration of a Successful Result

The Date of Declaration of a Successful Result for the Auction is the date at which the Auction Manager can first announce a Successful Result for the Auction.

Declaration of a Successful Result

If, by the close of the fifth business day after the end of the Auction, the ICC does not initiate a formal investigation or other formal proceeding regarding the results of the Auction, and does not provide to ComEd and Ameren written notification concerning the results of the Auction, the Auction Manager will make a Declaration of Successful Result for the Auction. ComEd and Ameren will proceed to acquire supply from winning bidders.

Decrement

A decrement is a given percentage of the previous going price.

Default Bid

A default bid for a bidder in the Auction is the minimum number of tranches that the bidder can bid on each product in the Auction.

Denied switches

Denied switches are those tranches of a product that a bidder has requested to switch, and for which the request to switch has been denied by the Auction Manager in order to keep the tranche target for that product filled.

Eligibility

A bidder's eligibility in round 1 is the bidder's initial eligibility (see Initial Eligibility). A bidder's eligibility in round 2 is the bidder's total number of tranches bid in round 1. For all subsequent rounds, the bidder's eligibility for a round is its eligibility for the previous round, minus the number of tranches that the bidder withdrew from all products in the previous round.

Excess Supply (product)

The excess supply for a product is the greater of (1) the total number of tranches bid for the product minus the tranche target for that product, or (2) zero.

Excess Supply for the Auction

The excess supply for the Auction is the sum, over all products in the Auction, of the excess supplies for the individual products, plus all tranches of free eligibility.

Exit price

An exit price is a best and last offer on tranches that are being withdrawn.

Extension

An extension typically extends the bidding phase for a round by 15 minutes, but the Auction Manager may set a longer or shorter length for an extension. The bidding phase of a round can be extended only once. Each bidder is allowed three (3) extensions during the Auction. A bidder with positive eligibility is automatically deemed to have requested an extension if the bidder has not submitted a bid during the bidding phase of a round and if the bidder has not already used its allowable extensions.

Financial Guarantee

With its Part 2 Application, each qualified bidder must provide a financial guarantee proportional to its indicative offer at the maximum starting price. Each qualified bidder must post a letter of credit in the amount of $250,000 per tranche of this indicative offer. Depending upon the creditworthiness assessment made at the time of the Part 1 Application, a qualified bidder may be required to provide a letter of intent to provide a guaranty and/or a letter of reference.

Free Eligibility

A denied switch that is outbid becomes free eligibility in the next round. Free eligibility is eligibility that can be bid on any product. A tranche of free eligibility must be bid on a product in the round in which it becomes available or the eligibility for that tranche will be lost.

Full Requirements Service

Full Requirements Service includes energy, specified ancillary and transmission services, and other services necessary to serve the load of ComEd's and Ameren's customers. Full requirements service is defined more precisely in each of the Supplier Forward Contracts for each load category.

Going prices

The going prices in a round are the prices at which the Auction Manager solicits bids in that round.

Group

See CPP Group and BGS Group.

Indicative Offer

The indicative offer, submitted with the Part 2 Application, specifies two numbers of tranches. The first number represents the number of tranches that the qualified bidder is willing to supply at the maximum starting price and the second number represents the number of tranches that the qualified bidder is willing to supply at the minimum starting price.

Initial Eligibility

The number of tranches indicated by the qualified bidder at the maximum starting price determines the qualified bidder's initial eligibility. A bidder will never be able to bid on a number of tranches greater than the bidder's initial eligibility.

Load cap

A load cap for a Group is a maximum number of tranches that any one bidder can bid and win for that Group.

Load Category

A load category is a classification of customers for each of ComEd and Ameren for the purposes of the Auction. Suppliers at the Auction bid to provide full requirements service for at least one load category and for at least one supply period.

Maximum Starting Price

When the Auction Manager announces the number of tranches, load caps, and MW-measures of each tranche, the Auction Manager at that time will also announce a maximum starting price and a minimum starting price. The maximum starting price is the maximum price that can be set in round 1 of the Auction for each product. Qualified bidders will, in their Part 2 Applications, submit an indicative offer at the maximum starting price.

Minimum starting price

When the Auction Manager announces the number of tranches, load caps, and MW-measures of each tranche, the Auction Manager at that time will also announce a maximum starting price and a minimum starting price. The minimum starting price is the minimum price that can be set in round 1 of the Auction for each product. Qualified bidders will, in their Part 2 Applications, submit an indicative offer at the minimum starting price.

MW-measure

The MW-measure for a tranche in a load category is the Peak Load Share for the load category divided by the total number of tranches.

Non-Summer Factor

A non-summer factor is a seasonal payment factor by which the Auction prices are multiplied to obtain the non-summer payments for service provided during the period October through May. It varies depending on the load category. The payments to suppliers of a product in the Auction are a seasonal function of the final Auction price for that product. The non-summer payments, made to suppliers for service provided from October 1 through May 31, are generally lower than the final Auction price.

Outbid

When a denied switch for a from a previous round is being replaced by a tranche that is newly bid on that product in the current round, the denied switch that is replaced is said to be outbid. Tranches that are outbid become free eligibility in the next round.

Part 1 Application

The Part 1 Application is the first of the two parts of the single application process for the Illinois Auction. In the Part 1 Application, prospective bidders are required to indicate their interest in participating in the Illinois Auction and provide identifying information and to pay a Bid Participation Fee. Prospective bidders are also required to accept the terms of the Illinois Auction Rules and the applicable Supplier Forward Contracts, to provide financial information for an assessment of their creditworthiness, and to certify that they have no impediments to meet the requirements or authorizations required by the Supplier Forward Contracts, including meeting the creditworthiness requirements set forth in the Supplier Forward Contracts and becoming members of PJM or Market Participants in MISO by the start of the supply period if they are not already members of PJM or market participants in MISO in good standing, as applicable.

Part 2 Application

The Part 2 Application is the second of the two parts of the single application process for the Illinois Auction. Qualified bidders must successfully submit to a Part 2 Application process to participate in the bidding. In the Part 2 Application, qualified bidders will make a number of certifications regarding associations, to ensure that they are bidding independently of other entities in the Auction, and to ensure the confidentiality of information regarding the Auction.

Part 1 Application Date

Applications must be submitted no later than noon on the Part 1 Application Date, which is November 13, 2007.

Part 2 Application Date

Part 2 Applications must be submitted no later than noon on the Part 2 Application Date, which is December 11, 2007.

Peak Load Share for the Load Category

The Peak Load Share for one of ComEd's load categories is the peak load contributions of all customers for which the load category is their primary service. The Peak Load Share for one of Ameren's load category is the combined peak demands of all customers who are eligible for the service.

Primary Service

For ComEd, a service that is a customer's primary option is the customer's primary service. Customers for whom a given service is their primary service include customers who would default to this service absent any other election.

Product

A product in the Illinois Auction is a given load category for a given supply period. The Auction has six (6) products: CPP-A one-year, CPP-B one-year, CPP-B 3-year, BGS-LFP 1-year, BGS-FP 1-year, and BGS-FP 3-year.

Prospective Bidder

A prospective bidder is an entity that has submitted a Part 1 Application.

Qualified bidder

After its Part 1 Application is accepted, an entity becomes a qualified bidder.

Recess

A recess extends the reporting phase of a round. The Auction Manager retains the discretion to set the length of a recess but the Auction Manager will not set the recess time to be less than 30 minutes. Bidders can request a recess during the calculating phase or during the reporting phase. A recess must be requested before the earlier of: a) the scheduled last half of the reporting phase of a round starts; or b) the last five (5) minutes of the reporting phase of a round. A recess may be first requested by a bidder only after round 10 and only if the excess supply is 85 tranches or fewer.

Registered bidder

After its Part 2 Application is accepted, a qualified bidder becomes a registered bidder.

Reporting phase

In the reporting phase of the round, the Auction Manager informs the bidders of the results of that round's bidding phase.

RES

RES means Retail Electric Supplier.

Round

The Illinois Auction proceeds in rounds. Each round has a bidding phase, a calculating phase, and a reporting phase.

Round 1 prices

The minimum and maximum starting prices establish the range of possible round 1 prices for the products in the Auction. The Auction Manager, in consultation with ICC Staff, Ameren and ComEd, will choose round 1 prices for each product in the Auction, and will

inform registered bidders on January 10, 2008, namely three (3) business days before the Auction.

Session

A session consists of a number of rounds. A typical schedule for a bidding day will have a morning session, a lunch break, and then an afternoon session.

Successful Result for the Auction

A Successful Result occurs when either: a) the ICC does not initiate a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; or b) the ICC initiates a formal investigation or other formal proceeding within five (5) business days of the close of bidding for the Auction; and: the ICC Staff, the Auction Manager, ComEd and the Ameren Illinois Utilities decide that the descending clock Auction is conducted again with bidders previously registered for the Auction; and: the ICC does not take action within five (5) business days of the close of the Auction conducted a second time.

Summer factor

A summer factor is a seasonal payment factor by which the Auction prices are multiplied to obtain the summer payments for service provided during the period June through September. It varies depending on the load category. The payments to suppliers of a product in the Auction are a seasonal function of the final Auction price for that product. The summer payments, made to suppliers for service provided from June 1 through September 30, are generally higher than the final Auction price.

Supplier Fee

The Supplier Fee is a fee required of winning bidders for each tranche that is won. This fee, together with the Bid Participation Fee, will be set to recover all the costs associated with the Auction. The Auction Manager will announce the fee per winning tranche no later than January 3, 2008. The Bid Participation Fee will be deducted from any applicable Supplier

Fees, and this amount will be netted against the first payment due to the winner during the supply period, reducing the balance paid accordingly.

Switch

A bidder switches when a bidder is simultaneously decreasing the number of tranches bid for one or more products, and increasing the number of tranches for one or more other products while leaving the total number of tranches bid unchanged.

Switching priority

A switching priority is a unique rank assigned to each of the products for which the bidder is increasing the number of tranches bid. A switching priority of "1" is the highest priority and it is assigned to only one product; the next highest priority is "2" and it is assigned to a different and unique product, etc. A switching priority indicates that, if the request for the switch is partially but not completely accepted, the bidder prefers that the tranches of that product (with priority 1) be increased first.

Target Eligibility Ratio

Target eligibility ratio is a desired ratio of tranches bid to the volume in the Auction.

Time-out

A time-out is a pause called by the Auction Manager and a time-out can be called at any time during a round. A time-out would be expected to last no longer than an extension in most circumstances but could be for a longer period in case of a volume adjustment that may require bidders time to consider or in case of an extraordinary event that requires consultation of the Auction Manager and the ICC Staff.

Tranche

Each tranche for a given load category represents a given specific percentage of that load category. The percentage of load for one tranche of one load category is in general different from the percentage of load for one tranche of another load category.

Tranche size

The tranche size of any product of a load category is obtained by dividing 100% by the number of tranches for all products of that load category.

Tranche target

The tranche target for a product is the number of tranches needed for a product in the Illinois Auction.

Volume

The volume for the Auction is the sum of the tranche targets for all products in the Auction.

Withdrawal

A bidder requests a withdrawal from at least one product when the bidder is reducing the total number of tranches bid in the Auction.

VIII. APPENDIX B: PROVISIONAL DECREMENT FORMULAS

Decrement formulas will be updated by the Auction Manager along with the number of tranches for each product in the Auction and load caps for each Group in the Auction no later than November 5, 2007. The Auction Manager will inform registered bidders no later than December 20, 2007 either that these decrement formulas are final or that these decrement formulas require further modifications on the basis of the number of bidders.

VIII. A. Regimes

At the start of the Auction, the Regime 1 decrement formulas are used. When Regime 1 decrement formulas are used, decrements are between 0.5% and 5% of the previous going price. Regime 1 continues until Regime 2 starts. When Regime 2 decrement formulas are used, decrements are between 0.25% and 2.5% of the previous going price. Regime 2 starts in the calculating phase of a round. Regime 2 starts in the calculating phase of round 4, or in the calculating phase of the first round in which the excess supply is first reported to bidders to be 85 or fewer tranches, whichever comes later. Regime 2 continues until the end of the Auction.

VIII. B. Regime 1 Decrement Formulas

Decrements are calculated separately for each product as a function of the excess supply on that product.

During Regime 1, the calculation of the size of the decrement, Δ, is based on the oversupply ratio, γ, which is the ratio of the excess supply for a product to an estimate of the maximum possible excess supply in the Auction:

$$\gamma = \frac{B - TT}{\min\left(\overline{RES}, n \cdot \min\{GLC, TT\} - TT\right)}$$

The numerator is the excess supply for a product, which is the number of tranches bid at the going price (B) minus the tranche target (TT). The denominator is a measure of maximum possible excess supply for that product. The excess supply for a product must be less than or

equal to the excess supply for the Auction. $\overline{RES}$ is the upper bound of the range of excess supply for the Auction reported to bidders and is used as the measure of excess supply. The excess supply for a product must also be less than or equal to the excess supply that would result from all bidders bidding the maximum possible number of tranches on that product. The maximum possible number of tranches that can be bid on a product is either the load cap for the Group (*GLC*) or the tranche target for the product (*TT*), whichever is lower. Thus the excess supply that would result from all bidders bidding the maximum possible number of tranches on the product would be $n \cdot \min\{GLC, TT\} - TT$ tranches, namely the number of registered bidders (*n*) times the load cap for the Group (*GLC*) or the tranche target, minus the tranche target (to get a measure of excess supply). The measure of maximum possible excess supply for that product used for the decrement rule is the upper bound of the range of excess supply reported to bidders, or the measure based on the number of registered bidders, the load cap for the Group and the tranche target, whichever is smaller.

CPP Group

The decrement for the CPP-A product is set as follows:

$\Delta = \max [\ 0.005, \min \{(0.21090\ \gamma - 0.00063)\ ,\ 0.05\}\ ]$

For example, if $\gamma = 0.12$, then $\Delta = 0.0247$, which means that prices are reduced by 2.47% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.0267 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.2401 or greater, which means that the excess supply for the product reaches 24.01% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.0267 and 0.2401, so that the excess supply for the product is between 2.67% and 24.01% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

The decrements for the CPP-B products are set as follows:

$\Delta = \max [\ 0.005, \min \{(0.14360\ \gamma + 0.00116)\ ,\ 0.05\}\ ]$

For example, if $\gamma = 0.12$, then $\Delta = 0.0184$, which means that prices are reduced by 1.84% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.0267 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.3401 or greater, which means that the excess supply for the product reaches 34.01% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.0267 and 0.3401, so that the excess supply for the product is between 2.67% and 34.01% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

BGS Group

The decrement for the BGS-LFP product is set as follows:

$$\Delta = \max [\, 0.005, \min \{(0.41540\, \gamma - 0.00609) , 0.05\} \,]$$

For example, if $\gamma = 0.08$, then $\Delta = 0.0271$, which means that prices are reduced by 2.71% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.0267 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.135 or greater, which means that the excess supply for the product reaches 13.5% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.0267 and 0.135, so that the excess supply for the product is between 2.67% and 13.5% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

The decrements for the BGS-FP products are set as follows:

$$\Delta = \max [\, 0.005, \min \{(0.36490\, \gamma - 0.00474) , 0.05\} \,]$$

For example, if $\gamma = 0.08$, then $\Delta = 0.0245$, which means that prices are reduced by 2.45% for the next round. Prices will be rounded off to the nearest cent.

Using this rule, the smallest decrement would be 0.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the oversupply ratio is at or below 0.0267 (but above 0), the decrement is set at 0.5%. The decrement is never more than 5% (subject to rounding off). When the oversupply ratio is 0.15 or greater, which means that the excess supply for the product reaches 15% of its maximum, the decrement is set at 5%. When the oversupply ratio is between 0.0267 and 0.15, so that the excess supply for the product is between 2.67% and 15% of its maximum, the decrement is between 0.5% and 5% according to the rule given above.

VIII. C. Regime 2 Decrement Formulas

During Regime 2, the calculation of the size of the decrement, Δ, is based on the randomized oversupply measure, θ, which is the sum of the oversupply ratio, γ, calculated as described above, and a random number, ψ:

$$\theta = \gamma + \psi$$

The random number, ψ, will be drawn from a uniform distribution on [0, 0.05405]. Decrements are calculated separately for each product in each round as a function of the excess supply on that product in that round and as a function of a draw of the random number, ψ, for that product in that round.

The decrement for a product will be set as a series of steps. Using this rule, the smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). The smallest decrement would be in effect when the randomized oversupply measure is at or below a pre-determined minimum value. The decrement is never more than 2.5% (subject to rounding off). The largest decrement would be in effect when the randomized oversupply measure is above a pre-determined maximum value. When the randomized oversupply measure is in between the pre-determined minimum and maximum values, the decrement will be set at one or more values between 0.25% and 2.5%.

CPP Group

The decrement for a CPP product in Regime 2 is set as follows:

$$\Delta = \left\{ \begin{array}{lll} 0.0025 & when & 0 < q \leq 0.1082 \\ 0.0050 & when & 0.1082 < q \leq 0.1622 \\ 0.01375 & when & 0.1622 < q \leq 0.2163 \\ 0.0225 & when & 0.2163 < q \leq 0.2703 \\ 0.0250 & when & q > 0.2703 \end{array} \right\}$$

The decrement is set as a series of steps. The smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). When the randomized oversupply measure is at or below a value of 0.1082, the decrement is set at 0.25%. The largest decrement would be 2.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the randomized oversupply measure is above a value of 0.2703, the decrement is set at 2.5%. For any given value of the randomized oversupply measure that is in between 0.1082 and 0.2703, the decrement is set at one of the steps above.

The size of the decrement is a probabilistic function of the oversupply ratio as follows:

Table 5. Regime 2 Decrements for the CPP Group.

Size of decrement (Δ)	Range of randomized oversupply measure (θ) Lower bound < $\theta \leq$ Upper Bound		Range of oversupply ratio (γ) Lower bound < $\gamma \leq$ Upper Bound	
	Lower bound	Upper bound	Lower bound	Upper bound
0.250%	0	0.1082	0	0.1082
0.500%	0.1082	0.1622	0.0541	0.1622
1.375%	0.1622	0.2163	0.1082	0.2163
2.250%	0.2163	0.2703	0.1622	0.2703
2.500%	0.2703	And above	0.2163	And above

Values of the oversupply ratio, γ, in this table and the following sample calculations are rounded to four significant figures. When the oversupply ratio is at or below 0.0541, which means that the excess supply on the product is at or below 5.41% of its maximum, then the randomized oversupply measure will always be at or below 0.1082, and the decrement will always be at the minimum value of 0.25%. When the oversupply ratio is above 0.2703, which

means that the excess supply on the product is above 27.03% of its maximum, then the randomized oversupply measure will always be above 0.2703, and the decrement will always be at the maximum value of 2.5%. When the oversupply ratio is between 0.0541 and 0.2703, such that the excess supply on the product is between 5.41% and 27.03% of its maximum, the decrement will be set at one of two consecutive decrement sizes. For example, if the oversupply ratio is 0.105, which means that the excess supply on the product is at 10.5% of its maximum, the size of the decrement is either 0.25% (because the oversupply ratio value of 0.105 falls between 0 and 0.1082) or 0.50% (because the oversupply ratio value of 0.105 also falls between 0.0541 and 0.1622). The value of the decrement for a product will be re-calculated in each round; this means that even if the oversupply ratio on a product does not change from one round to the next, the decrement may change since the size of the decrement is a probabilistic function of the oversupply ratio.

The greater the oversupply ratio for a product, the greater is the expected value of the size of the decrement. For example, if the oversupply ratio for a product is 0.0757, then the range of possible values for the randomized oversupply measure is [0.0757, 0.1298]. There is approximately a 60% chance that the decrement size will be 0.25% and a 40% chance that it will be 0.5%. This is calculated as follows:

$$
\begin{aligned}
\Pr(\text{decrement} = 0.0025 \mid g = 0.0757) &= \Pr(q = g + y \le 0.1082 \mid g = 0.0757) \\
&= \Pr(y \le 0.1082 - 0.0757 = 0.0325) \\
&= \frac{0.0325}{0.05405} \\
&\approx 0.60
\end{aligned}
$$

This implies that the expected value of the decrement is approximately 0.35%. If the oversupply ratio for the product increases to 0.0973, then the range of possible values for the randomized oversupply measure is [0.0973, 0.1514], and there is approximately a 20% chance ((0.1082 – 0.0973)/0.05405) that the decrement will be 0.25% and an 80% chance that the decrement will be 0.5%. This implies that the expected value of the decrement is approximately 0.45%. Similarly, if the oversupply ratio is 0.1730, then the range of possible values for the randomized oversupply measure is [0.1730, 0.2271], and there is approximately an 80% chance ((0.2163 – 0.1730)/0.05405) that the decrement will be 1.375% and a 20%

chance that the decrement will be 2.25%. This implies that the expected value of the decrement is approximately 1.55%.

BGS Group

The decrement for a BGS product in Regime 2 is as follows:

$$\Delta = \begin{cases} 0.0025 \quad when \quad q \le 0.1082 \\ 0.0050 \quad when \quad 0.1082 < q \le 0.1622 \\ 0.0150 \quad when \quad 0.1622 < q \le 0.2163 \\ 0.0250 \quad when \quad q > 0.2163 \end{cases}$$

The decrement is set as a series of steps. The smallest decrement would be 0.25% (and the amount of the decrease in price would be rounded off to the nearest cent). When the randomized oversupply measure is at or below a value of 0.1082, the decrement is set at 0.25%. The largest decrement would be 2.5% (and the amount of the decrease in price would be rounded off to the nearest cent). When the randomized oversupply measure is above a value of 0.2163, the decrement is set at 2.5%. For any given value of the randomized oversupply measure that is in between 0.1082 and 0.2163, the decrement is set at one of the steps above.

The size of the decrement is a probabilistic function of the oversupply ratio as follows:

Table 6. Regime 2 Decrements for the BGS Group.

Size of decrement (Δ)	Range of randomized oversupply measure (θ) Lower bound < θ ≤ Upper Bound		Range of oversupply ratio (γ) Lower bound < γ ≤ Upper Bound	
	Lower bound	Upper bound	Lower bound	Upper bound
0.25%	0	0.1082	0	0.1082
0.50%	0.1082	0.1622	0.0541	0.1622
1.50%	0.1622	0.2163	0.1082	0.2163
2.50%	0.2163	And above	0.1622	And above

Values of the oversupply ratio, γ, in this table and the following sample calculations are rounded to four significant figures. When the oversupply ratio is at or below 0.0541, which means that the excess supply on the product is at or below 5.41% of its maximum, then the randomized oversupply measure will always be at or below 0.1082, and the decrement will always be at the minimum value of 0.25%. When the oversupply ratio is above 0.2163, which means that the excess supply on the product is above 21.63% of its maximum, then the randomized oversupply measure will always be above 0.2163, and the decrement will always be at the maximum value of 2.5%. When the oversupply ratio is between 0.0541 and 0.2163, such that the excess supply on the product is between 5.41% and 21.63% of its maximum, the decrement will be set at one of two consecutive decrement sizes. For example, if the oversupply ratio is 0.105, which means that the excess supply on the product is at 10.5% of its maximum, the size of the decrement is either 0.25% (because the oversupply ratio value of 0.105 falls between 0 and 0.1082) or 0.50% (because the oversupply ratio value of 0.105 also falls between 0.0541 and 0.1622). The value of the decrement for a product will be re-calculated in each round; this means that even if the oversupply ratio on a product does not change from one round to the next, the decrement may change since the size of the decrement is a probabilistic function of the oversupply ratio.

The greater the oversupply ratio for a product, the greater is the expected value of the size of the decrement. For example, if the oversupply ratio for a product is 0.0757, then the range of possible values for the randomized oversupply measure is [0.0757, 0.1298]. There is approximately a 60% chance that the decrement size will be 0.25% and a 40% chance that it will be 0.5%. This is calculated as follows:

$$
\begin{aligned}
&\Pr(\text{decrement} = 0.0025 \mid g = 0.0757) \\
&\quad = \Pr(q = g + y \le 0.1082 \mid g = 0.0757) \\
&\quad = \Pr(y \le 0.1082 - 0.0757 = 0.0325) \\
&\quad = \frac{0.0325}{0.05405} \\
&\quad \approx 0.60
\end{aligned}
$$

This implies that the expected value of the decrement is approximately 0.35%. If the oversupply ratio for the product increases to 0.0973, then the range of possible values for the randomized oversupply measure is [0.0973, 0.1514], and there is approximately a 20% chance

((0.1082 – 0.0973)/0.05405) that the decrement will be 0.25% and an 80% chance that the decrement will be 0.5%. This implies that the expected value of the decrement is approximately 0.45%. Similarly, if the oversupply ratio is 0.1730, then the range of possible values for the randomized oversupply measure is [0.1730, 0.2271], and there is approximately an 80% chance ((0.2163 – 0.1730)/0.05405) that the decrement will be 1.5% and a 20% chance that the decrement will be 2.5%. This implies that the expected value of the decrement is approximately 1.7%.